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'Ethnic Cleansing' in Bosnia: A Savage Tale of Murder and Rape



Borislav Herak, 21, a Serb who is charged with 29 "ethnic cleansing" killings in Bosnia.

By John F. Burns New York Times Service SARAJEVO, Bosnia-Herzegovina — What Borislav Herak remembers most vividly about the sunny morning in late June when he and two companions gunned down 10 members of a Muslim family is the small girl, about 10, who tried to hide behind her grandmother as the three Serbian nationalist soldiers opened fire from about 10 paces. "We told them not to be afraid, we wouldn't do anything to them, they should just stand in front of the wall," said Mr. Herak, 21. "But it was taken for granted among us that they should be killed. So when somebody said, 'Shoot,' I swung around and pulled the trigger, three times, on automatic fire. I remember the little girl with the red dress hiding behind her granny." As he tells his rambling story now, in a room at the Victor Bubanj military prison here, Mr. Herak stands up from his metal chair, shuffles into the open part of the room in his green field jacket and laceless black army boots, and demonstrates how he fired from the hip with his Kalashnikov rifle. With his companions, he emptied a 30-bullet magazine at a family he had found cowering minutes before in the basement of a home at Ahatovci, a Muslim village five miles northwest of the prison. The particulars given by the young Serb to investigators, and repeated during seven hours of interviews with this reporter, amounted to a six-month chronicle of the savagery that has characterized the Bosnian war. Two weeks ago, Mr. Herak and a

Serbian married couple, also under arrest for war crimes, took the wrong road while driving from the suburban town of Vogosca to Uzdiza, in the Serbian-held outskirts of Sarajevo. At a roadblock, they were stopped by a unit of the Bosnian Army defending Sarajevo. Almost immediately after his arrest there, Mr. Herak began telling investigators of his gruesome experiences as a Serbian fighter, including one incident in which he used a six-inch hunting knife to cut the throats of three captured Muslim men who were Bosnian soldiers. Until he fled Sarajevo in May and joined the "Serbian volunteers," auxiliaries to the regular military forces besieging Sarajevo, he was a primary school graduate whose job was pushing a handcart at a Sarajevo textile company. Now, under Article 41 of the old Yugoslav criminal code, he faces death by firing squad for offenses that include genocide, mass murder, rape and looting. His trial, which is expected to begin next month, could make him the

first person to be executed legally for crimes committed in Europe's most brutal conflict since 1945. The indictment lists 29 individual murders between June and October, including eight rape-murders of Muslim women held prisoner in an abandoned motel and café outside Vogosca, 7 miles (11 kilometers) north of Sarajevo, where, Mr. Herak said, he and other Serbian fighters were encouraged to rape women and then take them away to kill them on hilltops and other deserted places. The indictment also covers the killings of at least 220 other Muslim civilians, which he has confessed having witnessed or taken part in. Although Mr. Herak's experiences were limited to a 10-mile stretch of territory just north of Sarajevo, his account offered new insights into the ways that tens of thousands of civilians have died, most of them in towns and villages where there have been no independent witnesses. In addition to the Ahatovci incident — in which four children under 12, two elderly women and four men were killed — Mr. Herak described two mass murders of Muslims by Serbian forces in the Sarajevo area. In the first, in early June, he said he had watched a Serbian unit called the "special investigation group" machine-gunning 120 men, women and children in a field outside Vogosca. In another incident with multiple victims that occurred in July, Mr. Herak said he had seen 30 men from Donja Bioca, a Muslim village three

Europe Wary Of U.S. Plan To Put Troops In Somalia

British Term Proposal 'Too Vague,' French Demand More Details

By William E. Schmidt New York Times Service LONDON — Although acknowledging deep frustration over efforts to distribute aid to starving Somalis, European governments and international relief agencies reacted cautiously Friday to reports that the Bush administration wants to volunteer U.S. troops to safeguard famine relief in Somalia. Officials in Paris and London said they had not yet been formally consulted by Washington about the proposal, nor had they been asked to draw up contingency plans of their own to contribute troops to a larger multinational force. In a proposal now under study by the United Nations secretary-general, Boutros Boutros Ghali, convened a high-level task force on Somalia on Friday to prepare options for the Security Council on ways of ensuring that relief aid reaches up to 2 million people facing starvation, a UN spokesman said, Reuters reported from New York. [This follows a letter from Mr. Boutros Ghali to the council earlier this week saying attacks, looting and harassment by Somali warlords meant that "the humanitarian assistance which reaches its intended beneficiaries is often barely more than a trickle." (He was preparing detailed options that the council requested for remedying the situation in the country, the UN spokesman said.) In London, a spokeswoman for Prime Minister John Major described the U.S. proposal as "too vague" to comment on, and said the government would be seeking clarification from Washington. But the British minister for overseas development, Baroness Chalker, said any decision to deploy large numbers of allied troops in Somalia first required careful political groundwork inside the country. She said the question of military intervention would be under intense discussion in the coming days, both among the allies and within the United Nations. "What the Americans may in the end offer is still not clear to anybody," she said in a broadcast interview. "As you know, there is clear risk that aid agencies might be targeted by Somali factions if there were to be a decision regarding troop deployment without local agreement." In Paris, a spokesman for the French Ministry of Foreign Affairs said France was seeking more information about the U.S. plan, but

New Money Dispute Splits Europe as Ministers Fail to Settle Budget

By Tom Redburn International Herald Tribune PARIS — As if the European Community's divisions over Maastricht, the farm deal with the United States and German monetary policy were not wrenching enough, a high-level meeting of the 12 EC governments broke up Friday after failing to end a stalemate over how to allocate funds between rich and poor members. Only two weeks before the Community's summit conference in Edinburgh, none of the arguments on these and other important issues has been settled. As a result the Dec. 11 and 12 meeting, which was once expected to triumphantly usher in the era of the single market

that dawned on Jan. 1, now threatens to end in disarray. In Brussels, foreign and finance ministers again split into warring camps. Spain, Portugal, Greece and Ireland all rejected Britain's latest Germany's hard-line rate stance is likely to aggravate strains on the EMS. Page 15. proposal — backed by Germany and the Netherlands — to limit increases in EC spending. "The positions are quite different," said Carlos Solchaga, Spain's finance minister. "I don't see any reason to say our positions have come closer today."

After the meeting, ministers said the last chance this year for resolving the money dispute was to hope that top leaders at Edinburgh could somehow wrap it up within a broader political package. Although the allocation of funds is a traditional EC battleground, the budget fight has taken on added tension this year because of all the other splits that have stretched the Community's unity almost to the breaking point. The farm subsidy issue is the greatest potential threat to European commonity. France, actively campaigning for allies to help it block the EC Commission's farm-subsidy pact with the United States, has received some encouragement

from Belgium and Spain. The deal would be rejected if those three nations joined together. That could precipitate a global trade crisis by isolating the Community within the 108-nation General Agreement on Tariffs and Trade, and plunging Europe back into a trade war with the United States. On Friday, the Italian government stopped short of backing France but echoed some of Paris's complaints, saying the Community's Common Agriculture Policy should be changed again to protect its farmers from a loss of income. It also insisted that Italy's milk and sugar quotas be raised. In Rome, the cabinet said in a statement that

Prime Minister Giuliano Amato had agreed to lobby Italy's partners to press for "ways of reducing the negative consequences" of the EC-U.S. farm deal. The farm conflict, however, is not expected to come to a head soon, primarily because all sides have an interest in delaying a confrontation. The Community does not have to vote on the farm settlement until after it is included in an overall global trade agreement. By the time all the work is completed, France is expected to have replaced its current Socialist Party leadership with a new government of the right. But Paris may use the budget dispute to help

Neo-Nazi Group Banned In German Crackdown As Turks Mourn Dead

By Marc Fisher Washington Post Service HAMBURG — Under intense pressure at home and abroad to slam the brakes on neo-Nazi violence, Germany on Friday banned a small extremist group, prohibited the country's largest far-right party from holding a convention this weekend, and announced the arrests of eight reputed members of a gang organized to attack foreigners. The moves — seen as the beginning of a comprehensive crackdown on the country's burgeoning extreme right — came as more than 10,000 Turks gathered outside a small mosque here to bid farewell to three victims of neo-Nazi violence, including a 10-year-old girl who will be buried in a homeland she never visited. Grieving men fainting, women wailed and prayers of mourning echoed off surrounding buildings in the Hamburg suburb where thousands of Turks paid tribute to countrymen killed in a neo-Nazi firebombing Monday in the Western German town of Mölln. The shock of the Mölln killings — the first major neo-Nazi attack on foreigners who were longtime residents of Germany rather than recent refugees — has shaken the country and prompted a sudden widening of the federal role in clamping down on the extremists.

Federal prosecutors have taken over responsibility from local authorities, elite federal police troops are raiding far-right party offices, and Chancellor Helmut Kohl's government seems determined to make a public show of arresting those responsible for the more than 1,800 attacks on foreigners this year. The first ban on a neo-Nazi group hit the National Front, an anti-Semitic, anti-foreigner Western German party that has only 130 members, but is believed to have organized military exercises and attacks on foreigners. Interior Minister Rudolf Seiters called the party "an active fighting organization aimed at disposing of our democratic order." The German Constitution allows authorities to ban political groups intent on overthrowing democracy. The country's internal intelligence agency has been investigating 10 neo-Nazi groups. Two groups considerably larger than the National Front — the German Alternative and the Free German Workers' Party — are expected to face bans in the coming days, sources said. "Bans are no panacea," a former chief justice of Germany's high court, Ernst Benda, told the Bild newspaper. "There are many vio-



FIRE AT HOFBURG — Vienna fire fighters hosing down the roof of the Hofburg, which was severely damaged Friday by a blaze. Page 5.

Tokyo, in Shift, Will Stockpile Its Plutonium

By David E. Sanger New York Times Service TOKYO — The Japanese government, conceding that technical problems are compounding the political headaches triggered by its sea shipment of more than a ton of plutonium from Europe, said Friday that despite its pledges not to stockpile the deadly material it would be forced to store the plutonium for at least three years. For the past year, the government has told critics of its multibillion-dollar breeder-reactor program that it would only keep as much plutonium on hand as it could burn. Because the plutonium can be used to fabricate crude nuclear weapons, opposition groups have asserted that a stockpile of plutonium would pose a temptation to terrorists, as well as an environmental risk. But Japan's Science and Technology Agency said Friday that troubles in the fabrication of the plutonium into fuel would once again delay the start-up of a prototype breeder reactor on the Japan Sea coast. The reactor has been the focal point of the country's aggressive program to reduce its dependency on foreign supplies of nuclear fuel. It will not begin operations until the fall of 1993, a year later than originally planned. The effect of the announcement, officials said in response to questions, is that the ton of plutonium now being shipped across the Atlantic and the Pacific will not be used until at least 1995, when the first load of fuel in the \$4.5 billion reactor is to be replaced. Part of the time will be occupied fabricating the plutonium into pellets that can be used to fuel the reactor. The fuel that will power the reactor for the next decade or more is made from Japanese nuclear waste. But because Japan does not yet have facilities to reprocess waste into usable plutonium, it contracted with France and Britain to do the work. Critics of the plan have said that there is no way Japan will be able to consume the more than 80 tons of plutonium that it plans to create over the next 30 years. The result, they have said, would be a surplus

A Real Underground Economy

By Fred Hiatt Washington Post Service MOSCOW — In the heyday of Soviet superpowerdom, officials prepared for inevitable American attack by carving an almost endless warren of underground chambers and secret subway lines beneath this and other major cities. Today, as authority crumbles and everything is put up for sale, these shrines to the Cold War are also finding their place on the market — as underground karate studios, bars for bodybuilders, and Japanese car dealerships. An employee of a weight lifting club in Moscow, Sergei Kopyin, said the bomb shelter is especially suitable for his club because of its state-of-the-art ventilation. "It's true, we're renting them out," General Gerasim Filatov, chief of staff for civil defense, acknowledged with some sadness. "Our program is very expensive, and we can no longer afford it. We have to make a profit."

While professing full support for the notion that the United States is no longer an enemy, General Filatov and his colleagues still part only reluctantly with statistics and other former state secrets. The general acknowledged, however, that there

west region, as he shepherded a visitor to a bomb shelter beneath an apartment complex of the institute that developed Russia's atomic bomb. Not long ago, a small private firm set up a workshop here to make furniture and safes. An ice-covered slope led underground and past a series of thick metal doors, each with a complex set of locks. But inside, carpenters placed and sawed while technicians filled with office safes in the low-ceilinged, windowless but brightly lit cell. When company director Igor Safronov was asked how he liked working underground, Colonel Mayorsky quickly interjected: "Excellent! Excellent! Excellent! Excellent ventilation!" But Mr. Safronov, 36, replied with the confidence of a self-made man and without the obsequiousness to officialdom that characterized Soviet life a few years ago. If in

Kiosk Army Thwarts Caracas Coup Venezuelan rebel soldiers bombed the presidential palace in Caracas on Friday in an attempted coup, but the government said loyal army troops put down the revolt. As many as 50 people were killed in and around the Venezuelan capital. Article, Page 2. Dow Jones 15.94 3,282.20 Trib Index 0.09% 89.88 The Dollar New York 1.5687 1.588 DM 1.512 1.527 Pound 124.40 123.72 Yen 5.4276 5.382

What's in Passport Files?

Aide Says Nothing Was Sinister, Despite Scandal By Paul F. Horvitz International Herald Tribune WASHINGTON — They are stacked high in tens of thousands of file boxes at a warehouse called "purgatory" that holds enough federal records to cover 20 soccer fields. They are on microfilm and in computers. And they go back nearly a century. But the U.S. passport files maintained by the government are, with a few exceptions, confidential under the law, agency procedure and Supreme Court mandate, according to lawyers and U.S. officials. That is why the late-night pre-election search through Bill Clinton's passport file by State Department employees caused such deep embarrassment at the agency, the White House and the National Archives. An internal State Department review concluded that the search took place in violation of agency regulations and, "more disturbing," for political purposes. Press accounts of the search and of the internal review may have left the public, especially the 33 million active passport hold-

ers, with a distorted view of how and why U.S. passport records are kept, according to State Department officials and outside experts. "We would hope to dispel the misconception that we keep track of what Americans are doing overseas," said a department spokesman, who asked that his name not be used. Any "sinister aura" that may have been created by the scandal is mistaken, he added. The agency's estimated 100 million passport files generally contain little information beyond a confidential passport application and documents needed to prove citizenship, such as a birth certificate. The application contains basic physical characteristics, a photograph, phone numbers, a listing of occupation, information on parents and spouses, and an optional space for the name of someone to notify in case of emergency. Tax law also requires a Social Security number. The applications are kept for 100 years. The fundamental reason is so the government

In Surprise Turn, A Somali Warlord Approves U.S. Move

By Jane Perlez
New York Times Service
MOGADISHU, Somalia — In an uncharacteristically conciliatory gesture, the most recalcitrant warlord in Somalia said Friday that he welcomed the U.S. initiative to protect food convoys for the starving.

malis has been the shooting and looting by clan gangs, many of them led by General Farrah Aidid's men, for food destined for the starving.
If the general did not challenge the U.S. military, UN and other officials here said, the task of opening the port and airport for food deliveries and protecting convoys would be simpler.

SOMALIA: Europe Is Wary

(Continued from page 1)
offered a more favorable initial response, describing it as being "in the right direction."
"The situation in Somalia is intolerable, a solution must be found to end the sufferings of the Somali people," the spokesman said.

But officials of international relief agencies based in Europe warned that any large-scale security operation for famine relief would be unsuccessful without the cooperation of warlords and clan leaders who are in effective control of many parts of the countryside.
Amanda Barnes, a spokeswoman for Save the Children, a British agency that is feeding 30,000 people in Mogadishu, said the idea of flooding Somalia with foreign troops amounted to a "knee-jerk reaction" that could result in more harm than good.



Doctors explaining dosages of medicine to a Somali who had just arrived at a feeding center for famine victims in Mogadishu.

Vienna Fire Destroys Part of Hofburg

VIENNA — Fire engulfed part of Vienna's imperial Hofburg on Friday, and intense heat destroyed an ornate hall that witnessed the beginning of the end of the Cold War.
The fire, which may have been started by smoldering material left after maintenance work, turned the Redoutensaal, the hall where Soviet and U.S. leaders signed the 1979 SALT treaty, into a charred, roofless hulk.

government funds for rebuilding work immediately.
Parts of the Hofburg, residence for generations of Habsburg monarchs, date from the 13th century.
More than 350 fire fighters were rushed to the scene, but they were unable to save the 18th century Redoutensaal.

insured because premiums on its priceless treasures would have been too high.
Unlike Windsor, it was fitted with fire alarms. They sounded in the nearby treasury rooms, where the crown jewels and other precious heirlooms of empire are kept.
Amid the dismay on Viennese faces as crowds surveyed the smoldering ruin, there was clear relief among the people that the Lippizaner horses were saved.

Britons Welcome Queen's Tax Offer

Compiled by Our Staff From Dispatches
LONDON — The offer of Queen Elizabeth II to pay income tax was widely welcomed Friday by a public that has been calling for a cheaper and more modern monarchy.
But some less devoted subjects said the pledge was a token gesture that might not restore the popularity of the House of Windsor and might not even raise much for the tax collector.

all proportion, to the extent where I believe it would have been only a matter of time before we faced a referendum on whether to have a republic," Mr. Brooks-Baker said.
Others were less sure that the renunciation of a tax privilege dating from the 1930s would be enough to stem a tide of irreverence about the royal family's marital dramas.
Tony Benn, a former Labor minister and a longtime opponent of the monarchy, said the queen's decision "just shows what public pressure can do."

It took Britain by surprise Thursday when the government announced that the queen would abandon the sovereign's tax exemption and pick up the bill for the public duties of most of her family.
"Wham Bam! Thank You Ma'am," said the Daily Star newspaper, summing up widespread astonishment that the monarch had acted with such seeming promptness to quell public resentment.
Anger had been brought to a peak by the huge bill anticipated for restoring Windsor Castle, which was damaged in a fire last week.
But the question was how big next year's tax bill would be for the queen. Estimates of her income vary widely, from as little as £1 million (\$1.5 million) a year to the same amount a month.

Those thrown off the royal payroll — such as the hard-working Princess Anne — will have to have their immediate expenses paid by the royal household, but their official travel will still be covered by the state.
The list of royals supported by the state would include only the queen, who gets £7.9 million of the total now; her husband, Prince Philip, and her mother, Queen Elizabeth the Queen Mother, widow of George VI. Charles and Diana, the Prince and Princess of Wales, live off a separate income from his private estates. (Reuters, AP)

Abortion Debate Unabated in Ireland

By James F. Clarity
New York Times Service
DUBLIN — Women elected to the new Irish Parliament said Friday that they would press the legislature to reconsider the issue of whether the abortion law should be further liberalized.
In a national referendum on Wednesday, voters approved two liberalizing proposals, but defeated a third, leaving this predominantly Roman Catholic country divided on the issue and unsure what kind of abortion law it will eventually have.
In the balloting, voters approved by margins of about 3-to-2 proposed constitutional amendments that guarantee the right to abortion information and the right of women to travel abroad for abortions, as an estimated 4,000 Irish women already do each year.

abortion question came almost immediately from two of the 14 women elected among the 166 members of the new Dail, as the legislature is known, where there were only 13 before the election.
In the election, the biggest gains were made by the Labor Party, which appeared to be in a position to determine the composition of a new coalition government. One of the new Labor members, Eithne Fitzgerald, who won in Dublin, said the language of the defeated amendment had outraged women and would have to be taken up again soon.
Senator Des Hanfinn, the head of the Pro-Life Campaign, which considers abortion murder and campaigned against all the amendments, repeated his proposal that the new government hold another referendum in which people would be given a choice between a vote categorically against legal abortion, or in favor of liberalizing the law that came in a Supreme Court decision last February.
In that decision, the court ruled in the case of a 14-year-old girl who said she had been raped and wanted to go to London for an abortion. The government forbade her, causing an international uproar; the court overruled the government after the girl's doctors and lawyers said she was suicidal. That meant, most legal experts agree, that limited abortion had been legalized in Ireland for the first time.
On the second day of counting about 7 million paper ballots, official results indicated that Dick Spring, 42, the head of the Labor Party, would be in a position to determine which of the major parties, Fianna Fail or Fine Gael, might head a new coalition government.

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INTERNATIONAL Herald Tribune

START Cannot Wait

Although the world now has an unprecedented opportunity to make radical cuts in its nuclear armories, that opportunity is going to fade fast.

Two senators, Sam Nunn, Democrat of Georgia, and Richard Lugar, Republican of Indiana, have just visited the four states that have Soviet strategic missiles.

Both Russia and the United States have now ratified the START agreement, with its large reductions in strategic weapons. But will Ukraine really do it?

Sell Photos, Not Satellites

Open skies... spies in the sky... need-in-a-haystack accuracy: Cold War lore brims with stories about the astounding high-resolution photographs taken by American reconnaissance satellites.

The U.S. government is weighing bids from the United Arab Emirates, Spain and South Korea to buy American spy satellites. The right answer is a fast, firm no.

days that it would take to map the battlefield, a front could shift many miles. True, satellite photography of advancing Iraqi tanks was said to have been instrumental in persuading Saudi Arabia to accept U.S. troop deployments in August 1990.

Without control of the satellite and the communications links, the United States would lose control of its intelligence. That is why, no matter how lucrative the market may be, the sensible bottom line is no sale.

Giving Muscle to the UN

When warring clans cause starvation in Somalia, or Serbia invades Bosnia and threatens Kosovo, the American impulse is to call in the United Nations.

The UN's ability to promote peace needs to be strengthened by placing standing forces, and funds, at its disposal.

command to plan for and train troops for UN operations. 2) Have the Pentagon designate one or two U.S.-based brigades for such contingencies.

The study panel, co-sponsored by the Carnegie Endowment for International Peace and the Institute for International Economics, consisted of 30 distinguished former federal officials of both parties.

Other Comment

South Africa: Whiff of Peace

So hungry are ordinary people for even a whiff of peace that this week's good news has generated a mild and perfectly understandable bout of euphoria.

Heaven knows, there is a fragility about these developments. But this is not the time to dampen hope; rather it is a time to capitalize on it, to seize the moment.

political responsibilities; prodded the ANC into modifying its political goals and virtually abandoning its nationalization delusions; and driven home to the governing National Party) the folly of its brinkmanship.

The need for urgent action. For a fast-moving timetable leading quickly and inexorably to interim government, cannot be doubted.

The greatest danger surely lies in the caldron of social difficulties in which the 30 million blacks live, amid an unprecedented economic crisis. It is not certain that the prospect of elections offered them by President de Klerk will be enough to instill patience in those whose daily situation, despite a new political context, has not changed in the slightest since apartheid was abolished.



A UN Mandate to Keep — or Impose — the Peace

PARIS — There are plenty of people in the United States who have little to be thankful for, whom it has been official policy to consider objects of economic and social aid.

By William Pfaff

The philosophy of the new Clinton administration is activist, unsung, to the presumed fatalities of the marketplace, so we may hope to see some change in this.

in Burma and Sri Lanka), as well as people in other African countries, including Mozambique. (One could add Liberia today, and Angola should the struggle resume there.)

Beyond simple charity — money, food, medical assistance — there is more that can be done than we commonly admit. Much was written and said after the Gulf War about "new world orders," and many believed that a revived United Nations, freed of the Cold War veto, could make a serious change in international relations.

Both cases call out for external intervention either to impose order upon anarchy or to separate the regional or ethnic combatants. In Africa, this certainly is feasible. The combatants usually are heavily over-armed — thanks mainly to the Cold War operations of the KGB, Cuba, South Africa and the CIA — but would be incapable of serious resistance to a modern and disciplined intervention from outside.

A remarkable amount has been done. There is criticism of how the United Nations has functioned in Cambodia, Somalia, the former Yugoslavia and elsewhere, but by comparison with what the international community has been able to accomplish in the past, the record is not bad.

beginning in humiliation and impoverishment the Serbian process of "ethnic cleansing" progressed to expulsion and killing.

However, ideas of new world order have gone aground on the very hard problem posed by countries like Iraq or Serbia, outlaw powers yet serious and sovereign states, dangerous to their neighbors and defying international opinion.

The Muslims of Bosnia are Slavs, just as the Serbs are. How, then, to identify a Muslim man? Make him drop his trousers. Muslims, like Jews, are circumcised.

Violence Is a Preventable 'Disease'

By George F. Will

ATLANTA — Few noticed, but in 1990 the United States passed a grim milestone. In at least two states, Texas and Louisiana, the leading cause of death by injury was not motor vehicles but guns.

depressed but are angry, frustrated, resentful, often using drugs and unable to communicate their distress.

Mark Rosenberg noticed. He is a doctor at the Centers for Disease Control, specializing in injury prevention, particularly the prevention of violence.

The idea of government "treating" violence has occasionally aroused resistance on the right, which fears the rise of a therapeutic state staffed by what C.S. Lewis called "official straighteners," coercive utopians trying to make something straight from the crooked timber of humanity.

Consider two analogies. Smoking is not a disease, it is socially costly addictive behavior, and it is demonstrably combatable. If the motor vehicle fatality rate of 1952 had been the same in 1989, 155,075 Americans would have died in vehicular accidents.

Practical measures against violence are many: conflict-resolution skills, for individuals and adolescents' gangs; improved public lighting; bullet-proof barriers for cabdrivers; reduced alcohol and drug consumption; gun control; family life education; condemnation of entertainment that fosters cultural acceptance of violence as a response to grievances.

By Anthony Lewis

Europe's response to all this has been passive. The major countries have been refused to accept Yugoslav refugees in any significant number — with the signal exception of Germany, which has taken nearly 250,000.

More than 14,000 Bosnians have been killed. The Serbs, who have plenty of weapons from the former Yugoslav army, have captured about 70 percent of Bosnia.

I get letters from people of Serbian heritage charging me with unfairness in criticizing Serbian aggression. For them I have simple questions: Why are Serbian gunmen still attacking in Bosnia? Why are they shelling civilians? Why are they cutting the throats of Muslim children and Muslim clerics?

For nearly eight months now Serbian gunmen have had the Bosnian capital of Sarajevo under siege. The city has been ruined by shelling, 2,800 people killed, almost 50,000 injured. What political cause can justify such savagery?

is killing Bosnians "tolerable"? It certainly has been tolerated. Serbian aircraft violate the UN resolution, and no one does anything. Serbs shall refugees, in violation of repeated promises, and the American government says not a word.

American action is crucial now, immediately, before cold and hunger complete the work of guns and knives in Bosnia. I still believe that President Bush can be moved to act. The alternative is to be remembered as those who closed their eyes to Nazi persecution and murder.

1892: Chaos at a Corrida ARPEGA, Mexico — A terrible scene has occurred at a bull fight. A bull, maddened by its wounds, speared a number of other bulls and they rushed blindly at the barricade going and trampling upon the terrified spectators.

1942: Toulon Suicide LONDON — [From our New York edition:] Vichy announced the suicide of the French fleet of 60 or more warships at Toulon today (Nov. 27), and reported many French officers and sailors went down with their ships in wild down battles with German boarding parties attempting to prevent the scuttling of the powerful armada.

1917: Boys in Trenches HAVRE — A recent rumor, which appeared so incredible, has received complete confirmation. After compelling Belgian women to slave for them, the Germans are now forcibly employing boys of thirteen and twelve years to drudge for them in the trenches of Flanders under the heavy bombardment. The youths are only relieved for a few hours on Sundays.

Lonely, Yes, But Then He Asked for It

By A. M. Rosenthal

LONDON — Americans like to think of their president as the leader of the free world — a thought that lugubly annoys a sizable number of other presidents, prime ministers and the people who happened to vote them into office.

And it is not only just because the leaders who shared influence with American presidents are dead, out of power, or like Vaclav Havel, unable to fulfill their dreams.

Mr. Clinton will be alone because their equals have not come to office. In Europe the British prime minister seems wan and puzzled. The president of France is obsessed by his future biographers.

Already, realpoliticians are pecking at Clinton.

are working themselves back. Inevitable — since their nations decided not to bar top Communist hacks from office for a period of denazification.

They have started already. They decide that his restatement of belief in pressuring Communist China into human rights decrees, plus some overly polite words about Bushchikov, somehow means that he has changed his core beliefs.

Well, Mr. Clinton has seen fit to disregard my advice before, so he may do so again. But surely he will consult Vice President-elect Al Gore about the secretaryship, and, over the years, about foreign matters generally. He should: Mr. Gore would make a great secretary of state if he could be rescued from baby-sitting the Senate.

The New York Times

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

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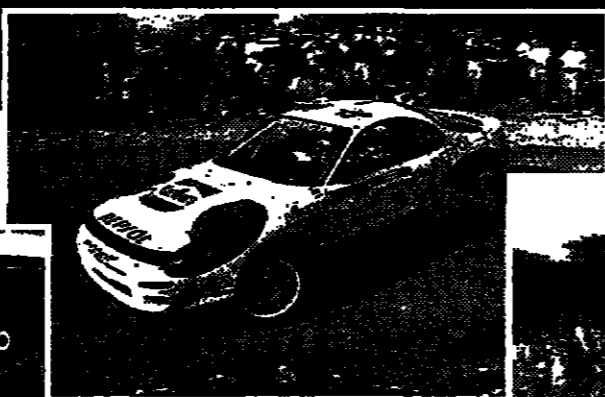
Obituary notice for a woman who passed away on November 27, 1992.

Vertical text on the left margin: Page 6, SATURDAY-SUNDAY, NOVEMBER 28-29, 1992, and various small notices.

Vertical text on the right margin: W, CARLO TOYOT DO IT, and other small notices.



WORLD'S NUMBER ONE FOR THE SECOND TIME



CARLOS SAINZ & TOYOTA CELICA DO IT AGAIN.



For the second time in three years, Carlos Sainz has won the World Rally Championship for Drivers in a Toyota Celica Turbo 4WD.

"In rallies, winning is never an individual achievement," says the new World Champion. "It requires the cooperation of driver, co-driver, car and team. The fact that Toyota has realized this is the key to our success."

At home, Carlos also drives a Toyota. He's as satisfied with his car

*The final results will be officially announced by FISA in December.

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Which is why we race. Because every time we race, you win.

WE RACE. YOU WIN.  TOYOTA

ART

Saturday-Sunday, November 28-29, 1992, Page 8

Art as Investment: Risky Business

PARIS — How sound is art as an investment, particularly Impressionist and 20th-century art, so heavily advertised by auction-house marketing specialists in the late 1980s?

For the first time in years, a sale, held Tuesday night at Drouot-Montaigne, provided a test based on one man's effort on a fairly large scale.

SUREN MELIKIAN

loan that was put by trade sources at about 22 million francs (\$4 million). The same sources believe that an extra 8 million francs or so was required to cover tax arrears. In the event, the sale totaled 42 million francs.

What makes it fascinating, accounting for the huge if motley crowd that came to attend the event, is the "collector's" personality. Lesieutre, a former seaman and a self-taught man, has been dealing in Art Nouveau and Art Deco for three decades.

He did not buy badly, but unfortunately he overpaid. His most important acquisitions, if assessed by financial value, were made in late 1989 and 1990 and on these, his losses are huge. On March 25, 1990, Lesieutre was part of the large crowd attending the Bourdon sale of 20th-century masters, which totaled 586.1 million francs.

Ten days after the Bourdon sale, his appetite whetted, Lesieutre went his all-out on a second Dubuffet, "La Calipette," dated Aug. 31, 1961, is done like an out-sized jigsaw puzzle. Some cartoon-like figures are enclosed in panels alternate with jocular inscriptions in block letters.



Detail of Dubuffet's "La Calipette" (1961).

for sale in London on April 4, 1990, "La Calipette" set a world record for Dubuffet at \$2.53 million and more than doubled the Sotheby's high estimate, courtesy of Lesieutre. Had he had more experience in this new field, the Paris Art Deco dealer might have been aware that in 1987 that same Dubuffet was on offer in Switzerland at \$1.1 million. On Tuesday, it virtually went back to its 1987 level and was knocked down at 6 million francs.

Two more examples confirmed that the most sought-after contemporary artists of the Paris school, bought at top dollar between the fall of 1989 and the spring of 1990, can now be worth as little as one-third to one-quarter of what they fetched at the height of the market. According to trade sources, Lesieutre paid 11 million francs at about that time to get the fine still life with a blue bottle by Nicolas de Staël that was included in this week's sale.

Worse was to come, proportionately, with Jean Fautrier's "Visage," a small profile in oil done in 1956. On Nov. 30, 1989, it cost Lesieutre \$286,000 at Sotheby's in London. At Drouot-Montaigne, this week's price was 700,000 francs plus a 3 percent charge. The Paris price is consistent with the \$72,000 (plus 10 percent) at which a related portrait was knocked down at Sotheby's in June 1992. In short,

Lesieutre went up to 4.4 million francs (sales charge included) to get a Degas study of a dancer bending forward, seen from the back. It is briskly done in grey and white brush strokes on pink paper, but it is not great. Bricest knocked it down with difficulty at 1.5 million francs.

Ironically, the latest buy included in Tuesday's sale was the one that brought a high profit in proportion to its purchase price. Bought in a small Toulouse auction on June 22 this year, for 228,500 francs (including the sales charge), the small sketch in oils was done by the young Toulouse-Lautrec while still at the lycée. On Tuesday it rose to 380,000 francs, plus the 3 percent sales charge. No art collector would really be keen to get it.

Yet, the sale was well handled thanks to the role played behind the scenes by the international broker Marc Blondeau.

For many years, Blondeau was the lynchpin of Sotheby's operation in Impressionist and Modern Masters in the United States before becoming head of Sotheby's Europe and eventually setting up on his own. Blondeau said in an interview that he was determined that the auction should go as well as possible for the sake of the Paris art market. No expert's name appears in the catalogue. But it was Blondeau who finetuned the estimates.

On June 23, 1986, the Paris dealer bought at a Drouot sale conducted by Patrick Dumoussat, a view of a bridge at Argenteuil done in 1906 by Maurice de Vlaminck. The painting, in the most aggressive Fauve style, is a blaze of red, orange and blue in small thick strokes. The price of 2,864,165 francs was substantial at a time when Fauve painting had not yet come back into its own. A year later, Lesieutre dispatched it on a tour through Japan as part of a traveling exhibition. On Tuesday, it was knocked down at 5.05 million, making it a relative success story (which becomes less impressive when the interest rate of the money invested is worked in).

Another reasonable purchase was "Le Chemin de Venues à Thomery, par le bord de l'eau, le soir" painted in 1880 by Alfred Sisley. Bought at Drouot on Nov. 28, 1984, for 2,598,800 francs (then about \$273,000), it was knocked down on Tuesday at 3.1 million francs (about \$570,000).

But here too, some of the more recent buys proved disastrous. On Nov. 21, 1989,

women in certain societies, they are often all at once admired and underestimated. As a result (and in either case), it is a whole facet of culture, with its rich and intricate implications, that suffers from neglect.

This is a situation that Krishna Riboud, founder, in 1981, of the Paris-based Association for the Study and Documentation of Asian Textiles and owner of the keas of this exhibition, is determined to correct.

"It is high time," she says, "that textiles cease being considered as merely decorative materials, and be examined not only from an iconographic point of view, but also from that of their extremely complex techniques, their symbolic and ritual significance and their historical and sociological import."

The center she founded has won widespread recognition and coordinates studies on Asian textiles with museums and universities around the world.

It also has at its disposal 3,000 specimens of Asian textiles assembled by Krishna Riboud, and has already published a number of technical studies.

"Manteau de Nuages: Kesa Japonais," at the Musée Guimet to Feb. 15.



Schlemmer's "Bauhaus Staircase" (1935) is among the MOMA works now in Bonn.

A Bit of MOMA in Bonn, With Breathing Space

By Michael Lawton

BONN — As you walk into the main gallery of the Federal Art and Exhibition Hall in Bonn, there are more than 30 uninterrupted meters (about 100 feet) between you and Fernand Léger's majestic "Three Women" of 1921; it must be the first time anyone has gotten to see the painting from quite so far away since the picture joined the collection of the Museum of Modern Art in New York in 1942.

On the left wall, Max Beckmann's disturbing triptych "The Departure" (1932-33) is given the respect it deserves, surrounded by other great paintings of the German Expressionist style instead of decorating the lobby as in New York.

These are two of the 70 works from MOMA currently in Bonn. While MOMA hosts a huge Matisse retrospective for which it has had to clear out its permanent collection, these 70 works have been saved the indignity of being stacked in the cellar.

Instead, this sample of the modern classic collection of MOMA from 1897 to 1956 — a smorgasbord of delicacies from the New York banquet — is displayed in the wide open spaces of the new Exhibition Hall, allowing a different perspective on works which we are used to seeing in the much more cosy and

cramped surroundings of their New York home. Most of them are familiar from greeting cards and calendars, although the opportunity has been used to draw attention to strengths of the MOMA collection which are less well known.

Italian Futurism, for example, is well represented. After World War II, Italian Futurism, which had been championed by the fascists, was unfashionable in Europe, and MOMA bought it at knockdown prices. MOMA now has a better collection than any Italian museum and some of the best is on display in Bonn. Umberto Boccione's work, which look like those of a futurist Rubens — generously physical, but abstracted into movement — or Gino Severini's "Armored Train in Action" (1915), with its anonymous soldiers in an ice blue train exploding into the warmly colored landscape, hold their own against more frequently anthologized works.

But it's those works which most people will go to see, and there the selection — how could it be otherwise? — is not perfect. The museum's Matisse had to stay home for the big show, and Matisse is perhaps one of the cornerstones of MOMA's collection. The other is probably Picasso, and MOMA's most famous Picasso, "Les Femmes d'Alger" (O.K. version), has also been kept under house arrest. It is, said Kirk Varnedoe, MOMA's director of painting and sculpture, one of those works which the tourist expects to see on a visit to New York. The tourist must not be disappointed: works like the "Demotelles" and Jackson Pollock's monumental drip paintings are being shown in MOMA's temporary galleries.

But there's plenty in Bonn to enjoy; six first-rate Picassos have crossed the Atlantic, including "Ma Jolie" (1911-12), where Cubism moves almost all the way to abstraction, and the disturbing army-camp collage "Harlequin" (1915) with its vicious grin, painted as Picasso's lover lay dying and his friends were going to war. Picasso contributes the

most works, but the collection's strengths in other modern European classics, from Gauguin, van Gogh and Cézanne to Miró and Bacon, are also well represented.

The exhibition is less confident in its selection of American art, including an early Pollock (the later ones are too fragile to travel), a fairly early Mark Rothko (most of his masterpieces come after the cutoff date), a striking but extremely unusual Barnett Newman ("The Wild" of 1930, nearly three meters high but only 4.1 centimeters wide) and an Edward Hopper ("New York Movie," 1939) which, in this context, doesn't look as if it belongs with the rest of the art of this century.

While the European traditions which are explored in this exhibition have reached their height well before the cutoff date, the American tradition is still flowering, and the cutoff date (the death of Jackson Pollock) seems arbitrary.

Pontus Hulten, artistic director of the Exhibition Hall, who chose the works, describes MOMA as a European museum; and indeed its foundation in 1929 was inspired by the Bauhaus idea of establishing a temple to the modern spirit, not just in art, but in all areas of human creative endeavor.

OSKAR Schlemmer's cool "Bauhaus Staircase" (1935) is a tribute in this selection to that indebtedness. But not only are MOMA's substantial collections in the fields of architecture, design and photography left out, the central role of the Museum of Modern Art in collecting contemporary American works is also ignored.

The task of exhibiting a representative selection of the works usually on display in New York is ambitious and hopeless. But enough remains of the spirit of the original to whet the appetite for one's next New York trip.

Michael Lawton is free-lance writer based in Cologne.

Advertisement for 'landjung Sari' featuring a batik pattern and text describing it as one of Bali's best-kept secrets.

Venerating Buddha, From Rags to Riches

By Michael Gibson

PARIS — The history of the Japanese kesa, a shawl of complex symbolic significance worn by Buddhist monks, is a dazzling tale of rags to riches.

This is apparent in an exhibition of 40 Japanese kesas, mostly 18th and 19th century, which reveals the extreme refinement of the Japanese silk-weaver's craft as well as the rich spiritual significance that the traditional arrangement has brought to the material at hand.

Buddha commanded his disciples to collect rags, wash and dye them, and sew them together to make their clothing. His teachings reached Japan about 1,000 years after his death and there, as veneration for his doctrine and the symbolic import of the lesser goods, so too did the splendor of the material that was offered for this purpose by wealthy patrons.

Ultimately, ample swathes of magnificent silks and lappas, more often than not enhanced with thread of gold, came to replace the modest rags of earlier times.

Paradoxically, since the monks were expected to make their kesas out of patches, any piece of

cloth or clothing that was given to them whole (the sumptuous Chinese kimono of a deceased aristocrat, for instance), had to be cut up and sewn together again in patchwork form. Yet this elaboration, instead of spoiling some perfectly good material, actually enhances its aesthetic quality and enriches it with a spiritual lesson.

The Chinese love of symmetry is attested by a couple of sumptuous Chinese kesas. The Japanese, by contrast, have always had a marked preference for the asymmetrical and relish this religious obligation that leads to the breaking up of the weaver's symmetrical patterns. The result seems all the more attractive to us since it is, in many ways, akin to the modern spirit that, starting with the Baroque, favors imbalance over balance and the dynamic over the static.

But the exhibition, entitled "Manteau de Nuages" ("Cloak of Clouds") is not only a feast for the eyes and the soul, it also reveals the "spectacular appeal of an often modest art or craft that, though dating back to prehistoric times, is all too easily taken for granted or ignored."

Precious textiles have always been appreciated by the general public. They are intensely sensuous and decorative and, like beautiful

women in certain societies, they are often all at once admired and underestimated. As a result (and in either case), it is a whole facet of culture, with its rich and intricate implications, that suffers from neglect.

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Advertisement for 'auktion sales IN FRANCE' listing various art auctions in Paris, including Drouot Richelieu, Drouot Montaigne, and Pavillon Gabriel.

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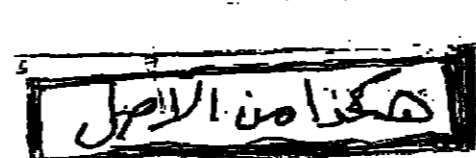
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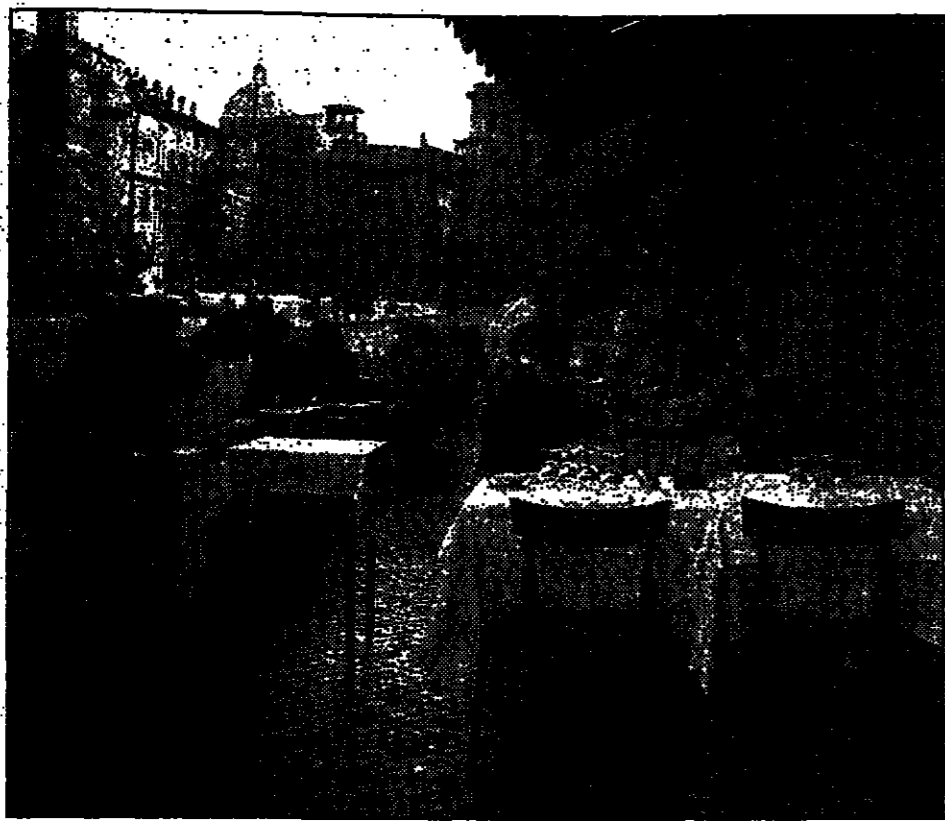
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ITALY

AN ECONOMIC WATERSHED

Amato's Reform Program Faces the Acid Test



After decades of la dolce vita, who will pick up the check?

Italy has been going through trying times. Its new prime minister has been forced to introduce strict new measures to control the economy while attempting to avoid public-opinion backlash. This tightrope walk calls for deft footwork and a very finely tuned sense of equilibrium.

The vastness of Italy's government deficit finally forced the devaluation of the lira and the temporary suspension of Italy from the European Community's exchange-rate mechanism on Sept. 17. Political

corruption investigations have revealed widespread kickback operations. Interest rates have risen as high as 20 percent, and the country's infrastructure is tottering. What has forced Italy to

face its problems — and may even succeed in resolving some of them — is the country's prime minister since last July, a soft-spoken ex-professor of law named Giuliano Amato. The Italian elections last spring confirmed the decline of the Christian Democrats and the Socialists, Italy's two biggest parties, while confirming the vote-getting ability of the northern Lega Lombarda and other "separatist" splinter groups.

Mr. Amato, a Socialist, became the compromise prime minister of a four-party coalition, with a razor-thin 16-vote majority. He had to act immediately, in the wake of the Maastricht meeting of the EC countries, to bring Italy into line with the financial stipulations of the proposed treaty. Italy's budget deficit is nearly three times the EC average required to join the monetary union. Its consumer price increases over the past five, 10 and 20 years are the highest, not only in the EC, but also in the OECD. The retirement age had been, until recent reforms, the lowest in industrialized Europe: 60 for men and 55 for women.

Carlo Scarpa, a professor of economics at the Bologna Center of Johns Hopkins University, says:

"After the elections, the parties knew they were running out of time. Maastricht was hanging over our heads, people were more impatient and there was awareness that things couldn't go on as they had before."

Impatience was fueled by a slowdown in Italy's powerhouse economy. Over the last two decades,

EC support: a loan of 17 trillion lire

Italy has had the second-greatest long-term real growth of the Group of Seven countries, topped only by Japan, according to the Council on Competitiveness. The slowdown that hit other countries hard in the early 1990s is only now slamming on the brakes in Italy. Next year, according to the OECD, the Italian economy will grow by only 1 percent. Paolo Garonna, director of ISTAT, the Italian Institute of Statistics, says that Italy is suffering more by facing this situation belatedly. "We have a high level of real interest rates and high inflation, we are out of the ERM and there has been recent financial turmoil; a change in expectations is always destabilizing," he says.

In the first months of its tenuous hold on power,

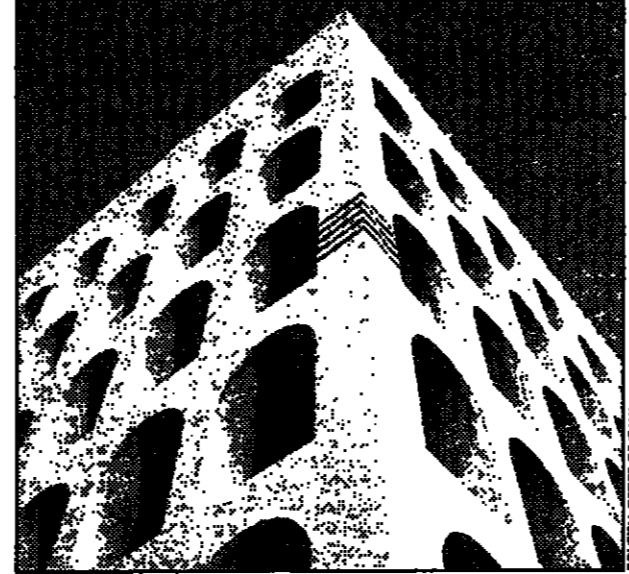
the Amato government did what no previous coalition had been able to do: eliminate the *scala mobile* (an inflationary system of automatic wage increases), freeze wage bargaining until the beginning of 1994, exert some control on wages in the public sector and introduce the notion of privatization of state-owned companies.

Earlier this month, it unveiled a sweeping privatization plan designed to earn the state some 27 trillion lire (\$19.7 billion) over the next three years. Targeted were the state insurance company INA, the electric company ENEL, the energy group ENI and the state industrial holding company IRI.

Before December, the Italian Parliament must approve a budget that will satisfy both the EC and constituents at home. Given the bitter medicine Italians will have to swallow, the task is not an easy one. A flurry of 800 amendments threatened the efficacy of the framework package, which was introduced on Sept. 30. It would save \$70 billion next year through reforms in the areas of pensions, health care, the civil service and tax policy.

Pensions and health-

Continued on Page 11



Business Metamorphosis: Privatization Plan Unveiled

During negotiations for the Italian privatization program announced on November 14, Prime Minister Giuliano Amato is said to have scolded his deadlocked colleagues: "Look here, we are not presiding over the fall of the Roman Empire!" But for Italy's public-sector companies, the change may sometimes seem that profound.

Public-sector companies in Italy have long represented a larger share of the economy than in other European countries. The state controls two-thirds of the banking system, three-fourths of the trans-

Increased efficiency is a major goal

portation and communications sectors and practically the entire energy field. During the 1980s, the relative size of public enterprises dropped less in Italy than elsewhere, according to figures from the Organization for Economic Cooperation and Development, and remains the biggest in Europe. Between 1985 and 1990, government aid to public-sector enterprises averaged close to 2.2 percent, among the highest rates in the European Community.

IRI (Istituto per la Ricostruzione Industriale), the largest of these entities, posted losses of almost \$300 million last year on sales of \$73 billion, and has a total

debt of \$66 million. ENI (Ente Nazionale Idrocarburi) is profitable, but the energy industry will require massive investments in coming years to stay competitive, and the government cannot give it the support it needs.

The privatization program proposed by Prime Minister Giuliano Amato earlier this month calls for the sale of 27 trillion lire (\$19.7 billion) in shares of three companies over the next three years, with proceeds going to the Treasury. Several of ENI's companies will be sold, as will "significant" stakes in ENEL (Ente Nazionale Elettricità) and a majority of shares in INA (Istituto Nazionale dell'Assicurazione). IRI will also sell off a number of its subsidiary companies, but proceeds will be used by IRI to pay back its own debt.

The immediate objectives, some observers claim, are to eliminate Italy's enormous public deficit by 1996 and merit favorable loan conditions from the EC. But, according to Rolando Polli, managing director of McKinsey (Italy),

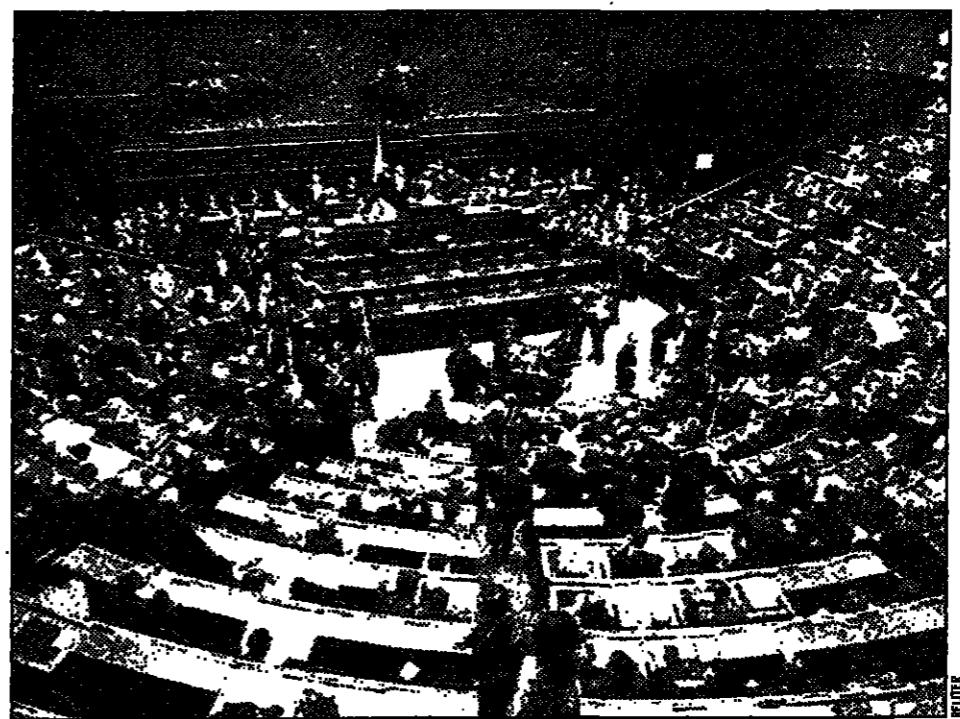
"The major point of privatization is not reducing the deficit." Over the long term, privatization is also a way to make Italy's business sector run more efficiently by breaking the stranglehold of political influence on the running of those businesses. Eraldo Gianluigi Milla, president of a Milan brokerage firm and member of the board of directors of the Milan stock exchange: "Privatization represents a historical change for Italy. Finally, [state-owned companies] are required to compete in the open marketplace. They can't sell below cost or operate inefficiently as they once could."

A less-euphoric economic historian wonders, "Some of these companies have been strong because of government assistance.

What kind of constraints and regulatory environment will they operate in when the government has little or no interest?" McKinsey's Mr. Polli has more immediate concerns: "We Italians have a habit of saying we will do things, and then not doing them. EFIM [another state-owned company] has been in liquidation since the summer, and still nothing has happened."

The government withdrawal will not happen overnight, given the weakness of the Milan stock exchange. Until recent speculation about the privatization program gave it a boost, the Milan exchange was limping along at about 20 percent of 1986 levels in abso-

Continued on Page 12



Parliament must approve a budget acceptable to both the Italians and the EC.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • Claudia Flisi is a business writer based in Milan and Monte Carlo. • David Lane is a free-lance business journalist based in Rome. • Christina A. Lynch, based in Florence, is a free-lance journalist and author.

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Bank Sector Gets Leaner, Meaner and Increasingly Competitive

With Roberto Mazzotta's reappointment as Cariplo's chairman at the end of October, the odds shortened on the consummation of the Milan-based savings bank's long-running pursuit of the large, Treasury-controlled Istituto Mobiliare Italiano.

Mr. Mazzotta has been the driving force behind giving Cariplo the significant new dimension offered by control of IMI, a Rome-based financial conglomerate whose interests include merchant and investment banking, private banking, securities intermediation, insurance and Italy's largest mutual funds operation.

Such diversification from short-term retail banking has precedents. The Milan-based investment bank Mediobanca was established in 1946

State bank shares have already risen in value

by the three national interest banks Banca Commerciale Italiana, Banco di Roma and Credito Italiano. More recently, the Istituto Bancario San Paolo di Torino acquired control of Rome-based Crediop from the Treasury's Cassa di Risparmio di Roma.

Says Crediop's managing director, Mario Mauro, "The corporate sector, particularly small and medium-sized enterprises, is our target. We want to give a clear message that we are a business bank." The bank revised its articles of association and changed its name in May to reflect this emphasis. "San Paolo's branch network provides the channel for making Crediop's services available quickly to business," Mr. Mauro adds, noting that this is the synergistic aspect of the operation.



Announcement of the privatization plan boosted the Milan index by 19 points.

One of the major banking events in the beginning of the year was the quotation of San Paolo's shares on the Milan stock exchange in March. Its public offer of 20 percent of share capital, Italy's first significant banking partial privatization, was heavily oversubscribed. Led by Chairman Gianni Zandano, the roadshow preceding the share quotation underlined San Paolo's ambition to maintain its front-runner status.

Among the challengers is Banca di Roma, the bank formed on Aug. 1 from the three-way merger of Cassa di Risparmio di Roma, Banco di Santo Spirito and Banco di Roma. This had been the biggest operation undertaken since the Amato law, aimed at restructuring Italian banking, was approved in July 1990.

Notwithstanding legislative encouragement, large-scale concentration and privatization has not happened. The revolution has yet to arrive. But now it may be close. The announcement in September that Credito Italiano, the Milan-based bank in which the IRI state holding corporation has a 65 percent controlling interest, will be privatized has been followed by an even greater surprise.

The privatization package prepared by Treasury Minister Piero Barucci and unveiled in mid-November proposes that IRI should withdraw completely from the banking sector. This means the disposal of IRI's minority stake in Banca di Roma, and that Credito Italiano's Milanese sister, Banca Commerciale

Italiana (in which IRI has a 55 percent shareholding), is also for sale. As recently as last year, IRI's chairman, Franco Nobile, was vigorously denying any need or intention to sell its two large Milanese banks.

BCI and Credito Italiano were ranked fifth and seventh respectively by assets at the end of last year, and seventh and 10th by tier-one capital. They held fourth and fifth rankings in terms of pretax profits. With Banca di Roma, Banco di Napoli, BNL, Cariplo, Monte dei Paschi di Siena and San Paolo, they form the premier league of Italian banking.

All have been active in developing their domestic branch networks. Indeed, emphasis on expansion at home continues to be a feature of Italian banking, though there has been a slowdown. Figures from the Bank of Italy reveal that 1,365 new branches were approved last year, compared with 2,081 in 1990. The authorities say that they received 1,946 applications for new branches, against 3,122 in 1990. At the end of last year, there were 19,080 bank branches in Italy, compared with 17,721 at the end of 1990.

Some banks have been able to expand their domestic branch networks while reducing their payrolls. BCI, BNL and Credito Italiano opened an average of 60 new branches each in 1991, but reduced their staff by an average of 100. The central bank would like to see this kind of achievement repeated throughout the banking system. Said central bank Governor Carlo Azeg-

lio Ciampi earlier this year: "In a decade of abundant profits, credit institutions have not felt much need to economize on the labor factor. Yet it is increasingly an element of rigidity in terms of numbers, unit costs and constraints on use."

Mr. Ciampi also drew attention to the way that Italian banks have strengthened their capital bases. In ratio to total customer deposits, this tripled between 1979 and 1991. "The capitalization of Italian banks is now high, both in comparison with credit systems in other leading countries and with respect to the internationally agreed solvency ratio," he noted.

Aggregate figures from the Bank of Italy show that the banking system's net profits slipped by nearly 4 percent last year. Given inflation of over 6 percent, there was a real fall of more than 10 percent. Moreover, it seems unlikely that improvements will be recorded when books are closed at the end of this year, and nobody expects that 1993 will be better.

Mr. Ciampi warned Italy's banks that they face intensifying competition in domestic and international markets. They need to tackle rigidities in their operational procedures, employ production factors more efficiently and adapt balance-sheet strategies and interest-rate policies in order to be successful in the marketplace. But the authorities are confident that this can be done. "The Italian credit system has demonstrated its ability to cope with difficult market conditions," stated Mr. Ciampi.

Taking Care of Business At Home and Abroad

Italy's economic slowdown has focused attention on business and industry. The big multinationals are showing mixed results, and many smaller companies, finding themselves financially squeezed, are looking to exports to increase profits.

Benetton is well on its way to achieving its announced goal of doubling sales between 1990 and 1995, and Ferruzzi plans to double sales in the agrofood area to 20 trillion lire (\$14.6 billion) by the year 2000. Yet other international giants like Fiat and Olivetti are feeling the pinch of Italy's current economic climate; both have recently announced restructuring programs to reduce overhead.

Many clients of accounting firm Arthur Andersen are "more worried about the recession than anything else," according to firm partner Marzio Saa. He estimates that perhaps 90 percent of them are doing worse this year than last.

Confindustria, the Italian Association of Industrialists, is also concerned about Italian business. The association's president, Luigi Abete, has been pressing for a new industrial policy that will go hand in hand with an improvement in Italy's economic system. His organization's proposals in many ways echo those of the government: cut inflation, lower the interest rate, reform the

Lower-cost money should help small companies

social-security and health-care systems and reform the public administration. In addition, Confindustria has sought a greater commitment to privatization by the government, a slowdown in wage increases in state-owned companies and greater flexibility for its members in the hiring and firing of employees.

Taxes have multiplied in recent months, with two controversial levies earmarked for business and industry. One is an extraordinary tax for the next three years on the net assets of all Italian corporations. The government expects to raise 5 trillion lire annually through this vehicle.

The second, so-called minimum tax presumes a floor income for every one of Italy's small businesses and self-employed professionals, or some 3.2 million enterprises, with the burden of proof on the taxpayer if an

exception is claimed. At present, many small businesses declare less income than the salaries paid to their employees. Yet an imposed tax will disproportionately affect these small and medium-sized enterprises.

These companies are often cited as the backbone of the Italian economy, and in fact the average number of employees per manufacturer in Italy is one of the smallest in Europe: nine, as opposed to 28 in Germany, 37 in France and 50 in Britain. At the same time, Italy has fewer instruments to help its small businesses than any other country in Europe, according to a recent study by the Research Institute for Small and Medium-Sized Businesses.

They are reeling not only from recession and taxes, but from interest rates that have reached 20 percent as a result of the recent devaluation of the lira. Large companies are less affected; they have always had access to cheaper funds abroad or at favored customer rates with Italian banks. The government's efforts to stem the crisis have brought some relief in the last few weeks, and it is hoped that smaller companies will accordingly benefit from lower-cost money.

At the same time, Confindustria is urging its members to think more about export opportunities. More than 50 percent of Italian industry is concentrated in textiles, clothing, leather goods, furniture and machinery, all of which are heavily export-oriented. They are also labor-intensive; the OECD reports that in 1991 Italy was "the only large country whose manufacturing exports moved in the direction of labor-intensive industries." Devaluation did not give exports a significant boost; Italian products compete on the basis of quality, design and innovation, not price alone.

Close to three-fourths of Italian exports go to the rest of Europe, however, where the recession has hit harder than it has at home. In response, export horizons are being broadened to include Eastern Europe, North and South America and Asia.



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Thriving Trade Fairs Plan New Facilities

Trade fairs are important to Italy in two ways: they can be of particular help to small and medium-sized companies, and they can forge better relationships with developing countries whose needs include textiles, clothing and industrial equipment, areas in which Italian fairs are notably strong.

According to the president of the Milan Fair, Cesare Manfredi, trade fairs are "an essential instrument for the development and growth of companies in the context of the new competition in the global market."

Thirty percent of Italy's import-export business, in fact, takes advantage of the country's trade fairs. A study by Milan's Bocconi University found that the immediate increase in sales by those exhibiting at trade fairs in Milan alone in 1989 equaled 8 trillion lire (about \$6.4 million). This sum rose to 37.5 trillion lire over the

medium term, and does not take into account the spin-off value for the city of Milan, calculated at more than 3.6 trillion lire annually.

Last year, the Ente Fiera di Milano, the organization for Milan's trade fairs, reported increased revenues and profits in spite of the dampening effect of the Gulf War. It oversaw 86 fairs, representing 60 percent of all fair activity in Italy, with 31,000 exhibitors and 2.6 million visitors. An additional 1,272 conferences were attended by 142,220 people.

This year, the Milan Fair has 90 shows on its calendar, more than half of which are international. This translates into an average of seven fairs per month, each one lasting several days. The net effect is to stretch current capacity to its limits. At present, the fair has a total area of 380,000 square meters, of which 175,000 are exhibition space spread over 33 pavilions. For conventions, there are 27 meeting rooms, all with simultaneous-translation facilities and audiovisual equipment. This space is no longer sufficient for the logistical demands of modern-day fairs.

Competition among fair locations is as fierce as that of the exhibitors they service. While Milan is one of the oldest and most important fair sites in Europe, it faces rivals in France and Germany with fairgrounds that are newer, larger and better-equipped. To meet and surpass



Left, the Bologna Children's Book Fair attracts the top juvenile publishers worldwide. Below, Milan's Galleria Vittoria Emanuele.



Cesare Manfredi, president of Ente Fiera di Milano.

Acid Test: Amato's Reform Program

Continued from Page 9

Care entitlements are much more of a sacred cow in Italy than they are, for example, in the United States. They reflect beliefs about social responsibility that are deep-rooted in the Italian psyche. An international Gallup poll a few years ago found that 81 percent of Italians agreed that "it is government's responsibility to reduce income differences," while only 28 percent of Americans did so.

Not surprisingly, Mr. Amato's proposal to freeze pensions in 1993 was shot down. As the budget stands now, they will go up with inflation, costing \$2.8 billion next year. Still, retirement based on seniority has been blocked for 1993, and the regular retirement age will be raised to conform with EC norms: 65 for men and 60 for wom-

en. Health-care reform remains mired in controversy. Initially, any family or individual earning more than 40 million lire would no longer receive free health care, except for hospitalization. But this proposal is being fought bitterly and may not survive.

Fiscal measures include a spate of new taxes on individuals, homes, businesses, luxury cars and yachts, among other targets. Regional tax payments are no longer deductible from federal taxes. Aid to developing countries has been reduced by 1.5 trillion lire, environmental spending lowered by 300 billion lire. The income tax bureau itself has been singled out for reform: by requiring the loser of a tax case to pay court costs, the government hopes to dissuade tax bureaucrats from dragging cases on for years.

The European Commu-

nity has been favorably impressed by the government's actions to date, and has loaned it 17 trillion lire with favorable repayment conditions as a sign of confidence. The move by the EC helped compensate for the August decision by bond-rater Moody's to lower its rating on Italian bonds by two points. Italy is now the only member of the Group of Seven not to have an AAA rating. Still, ISTAT's Mr. Garonna thinks that Italy "could be back in the ERM very soon if the markets are convinced of the credibility of our program."

In the long term, the prospects are less clear. Mr. Amato's political longevity is by no means assured, and he is still part of the Old System, not a harbinger of fundamental change. Change means taking state-owned companies and state-controlled jobs away from the



Prime Minister Amato: Praying for success.

ruling political parties, thus depriving them of their power and wealth. Only electoral reforms can achieve this, and only a few politicians, like Mario Segni and Leoluca Orlando, are crusading for them. A key to the level of voter unrest may be the results of upcoming local elections in the northern cities of Varese and Monza.

Claudia Fissi

its competition, this year the fair signed an agreement with the city of Milan to begin a project at an abandoned factory adjoining the existing site. This long-discussed project, called Portello Sud, will include two pavilions covering 66,000 square meters of surface area, 82,000 square meters of parking and a green space of 13,400 square meters. Its new pavilions, combined with those of the existing fairgrounds, will enable Milan to host two major international shows in 1995, the European Machine Organization and the Industrial Textile Machine Association, that would otherwise have gone to another site in Europe.

The longer-range plans for the fair call for the construction of a new site outside the city center to host large-scale fairs. The existing Southern Pavilion is 15 miles (25 kilometers) south of the city in Lacchiarella. It has 75,000 square meters of up-to-date exhibition space

Bologna now offers its own heliport and will soon have a new multiuse pavilion

and will host 13 of Milan's exhibitions for 1992, but is not adequate for long-term needs. Once the city of Milan has decided upon and constructed this new complex, the current fairgrounds, with their obsolete structures, will be given back to the city.

For the smaller Ente Fiera di Bologna (Europe's fifth-ranking fair site), the price of success is also a problem with space. In spite of its 125,000 square meters of exhibition space, the fairgrounds is running out of room. Bologna has taken the lead in forging a pole concept with the neighboring cities of Ferrara and Modena to offer greater flexibility and more space for fair planners. Of the 38 fairs scheduled next year, 21 will be in Bologna, nine in Ferrara and eight in Modena.

In 1991, construction began in Bologna on a new multiuse pavilion of 15,000 square meters designed for large conventions. This year saw initial work on a new entrance for the fairgrounds, directly connected both to the new pavilion and to a parking lot for 4,000 cars. The latter adjoins a new exit from the highway that was built specifically for the fair. A heliport was also built this year.



In the longer term, there is a more ambitious project to link the Bologna, Modena and Ferrara fairgrounds by railroad, and to link the Bologna fairgrounds to the city's central rail station. The project includes covering all the open spaces between pavilions and linking them with moving walkways.

Says Bologna Fair spokeswoman Graziana Patrioli: "A fair is judged by the quality of services it offers." For this reason, the fair's strategy in 1993 is to improve its services to exhibitors and visitors, as well as its facilities. This strategy is of long standing; starting in 1986, Bologna has invested heavily in computerizing its activities with special hardware and scanners.

The Bologna Fair's president, Dante Stefani, emphasizes the importance of specialization in a fair operation. Bologna's fairs are concentrated in four areas: fashion, construction, culture and industrial equipment. Each of them boasts exhibitions that are world-class leaders, including Cosmoprof for cosmetics, the three building fairs grouped as the SAIE-Team, the Children's Book Fair, Autopromotec for the auto industry and the Motor Show for car buffs.

C.F.

Strategic thinking for telecommunications



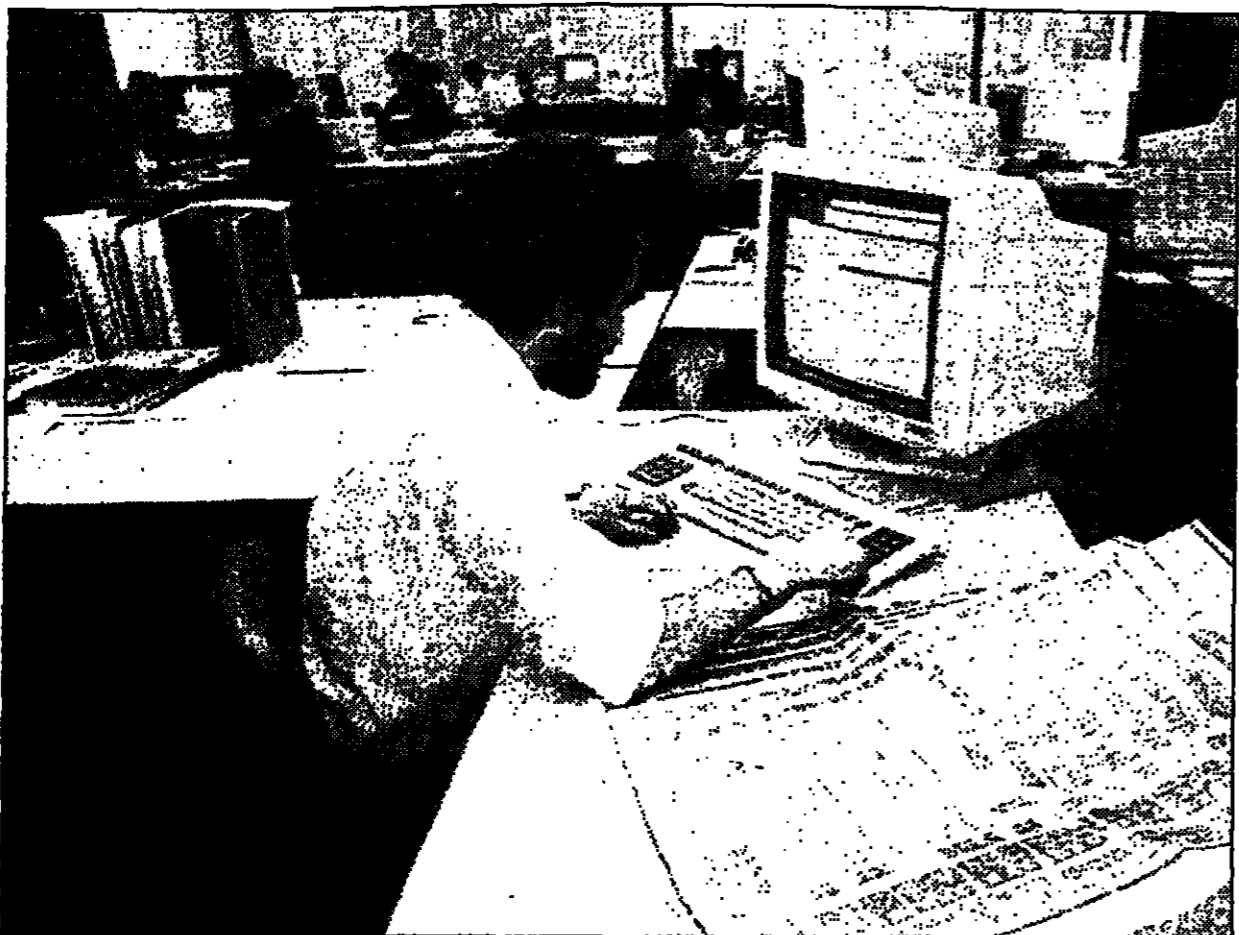
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Italtel, in partnership with AT&T, is developing an intelligent network infrastructure.

Business Metamorphosis: Into the Private

Continued from Page 9
 lute terms. It had fallen 30 percent in the first six months of 1992 alone. Part of the problem has been the well-publicized deficit and the inclination of investors to put their money into high-yielding government bonds to finance that deficit, rather than into more productive vehicles. Private companies, even profitable ones like ENI, are hardly a match for the double-digit yields of these bonds.

companies are to compete successfully, they must be "efficient, cleaned up, well-focused, comparable in size to the competition, and managed by executives who are fully accountable for their decisions."

Some of the companies to be put on the block will have no trouble finding buyers immediately. The three banks held by IRI — Credito Italiano, Banca Commerciale Italiana and Banca di Roma — are attractive to foreign as well as domestic investors. Interest in SME, the IRI

company with interests in food and highway restaurants, is so high that trading had to be suspended last week. In contrast, ail-

Plan will help reduce deficit

ing companies in cyclical industries, such as steel-maker ILVA, the shipping company Finmare and the ship makers Fincantieri, will not be sold until their balance sheets improve.

Last week, the International Monetary Fund gave its blessing to the

prime minister's proposals, observing that it had been waiting for some time "for a clear sign of the government's intention to make a break with its past policies of interfering in areas where the private sector can operate more efficiently." Success, according to the IMF, will depend on speed of action and lack of political interference. Now it is up to the Italian Parliament to confer approval on what Mr. Amato himself calls "the framework for the future of Italian industry."

C.F.

Next, Liberalizing Telecommunications

In 1987, the European Community issued its famous green paper calling for an end to restrictive monopolies and for the liberalization of the telecommunications equipment market. Today, as privatization begins to take hold in Italy, the process of liberalization is starting to make an impact.

The impact of liberalization on Italian telecommunications would be sizable on all fronts: financial, commercial and political. Because the extent to which it may be privatized is still unknown, Stet, Italy's telecommunications monopoly — which includes the operating company SIP, the manufacturing arm of Italtel, and Italcable — has set as the pillars of its strategy for the next four years an emphasis on services to business, the continued modernization and rationalization of existing networks to reduce operational costs, optimization of corporate resources on the manufacturing side and expansion of the group's role abroad.

This expansion is in keeping with the quest for international alliances by many in the telecommunications

international rates remain two to three times higher. SIP is coming under increasing pressure from its international counterparts, including those in the United States, and from the OECD to make its rates more closely reflect actual costs.

Italtel, the manufacturing arm of Stet, is under a different sort of pressure. "This decade," claims Italtel's chief executive officer, Salvatore Randi, "will be a period of revolution, comparable to the 1980s, when electronics were replacing electromechanical technologies." As the world's 11th-ranked telecommunications equipment company, Italtel has been aggressive about seeking both international business and cross-border alliances. It is active in Russia with Telezaria, a joint venture created with Krasnaya Zarya in 1990. This month in Moscow, the company announced bookings for roughly 500,000 lines of Lines UT telephone digital switching exchanges, Italtel's core product.

In China, the company is present with Chongqing Italtel Communication Equipment, a joint venture for the production and marketing of transmission terminals for a new fiber-optic network.

Other important elements of Italtel's international strategy are the acquisition of highly specialized companies in key areas of telecommunications.

Bolstering Italtel's international presence is its 1989 agreement with AT&T for reciprocal expansion in all markets. Italtel and AT&T are at work on an intelligent network infrastructure that will be among the most advanced in the world. They have created Ole 2000, an innovative access system for the gathering of voice and data users, and are developing large-scale transmission points based on the new technology. The realization of these projects, along with the diffusion of high-speed commutation technology, will make possible a pan-European network of wide-band communication.

It is not by chance that Italtel became the first Italian telecommunications company to receive the recognized European certification ISO 9000, attesting to the excellence of its quality-control systems. Nor is it unexpected to find other potential partners for Italtel, including Siemens and Alcatel, showing interest

in the company. Alcatel had bid for Italtel's favors once before, but lost out to AT&T; its consolation was the purchase of Fiat's telecom transmission company Telettra in 1990. Alcatel would presumably relish the opportunity to press its suit again. For the moment, however, Stet is being described as a "natural monopoly" of the state, and Italtel's Mr. Randi denies interest in any other partner but AT&T.

AT&T is also a partner with Italcable for its Global Software Defined Network. This is a virtual network that provides most of the features of a private or dedicated network over public switched network facilities, very attractive to large companies. Private telecom networks in Italy had a value of 2 trillion lire last year, and have been growing at about 10 percent annually.

Because virtual networks can operate only when there is a sufficient digital infrastructure, the first pilot digital network in Italy began operation in June 1992. An ISDN (Integrated Systems Digital Network) is now operating in 11 Italian cities, and the timetable calls for regular service by next year.

France, Germany and Britain are further ahead in digital applications, but all three countries are significantly less restrictive than Italy. A 1991 study by the Yankee Group, a telecommunications consultancy, ranked Italy as the third most tightly regulated country in all of Western Europe and well above the European average.

Reaching agreement on deregulation is fundamental to the development of Italy's telecommunications policy within the EC. British Telecom's profits have increased, as have its services to customers, every year since its privatization in 1984. Germany and Portugal are considering similar moves, as are Sweden, Finland, Hungary and Czechoslovakia. Filippo Maria Pandolfi of the EC Commission has acerbically observed: "The [EC] decision to allow exclusive or limited rights in the field of verbal telephonic services was very wise. As is widely known, there is a certain tendency among governments to consider their telephone networks as extensions of their national sovereignty."

C.F.

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21-25 Chibicar Gift articles, fancy goods, perfumery items, costume jewellery and smokers' accessories	7-9 Mias Invernale Sports-wear, sport articles and camping equipment Lacchiarella, South Pavilion
21-25 Cart Stationery, paper related products, articles for schools and fine arts	12-16 Modif Milanovendemoda: La moda a Milano Women's wear
23-27 31° Salone Internazionale del Giocattolo Toys	19-22 Miffior Cut-flower and ornamental plant production, horticultural equipment and accessories Lacchiarella, South Pavilion
January Milano Collezioni Uomo Men's wear	24-28 BIT Tourism 26 February - 1 March Interimmo Estate services for house, work and leisure 26 February - 1 March Salone del Franchising Franchising and new techniques in the tertiary sector

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مكتبة دار الفجر

Business Competitiveness: Why Should Americans Overseas Be at a Disadvantage?

U.S. government policies often put American workers and businesses overseas at a distinct disadvantage when competing in international markets. It is time to end these policies and level the playing field.

The Federated League of Americans Around the Globe (FLAAG), along with its organizational members, will raise these issues with the new administration and Congress next year. FLAAG is working to demonstrate that the United States must re-evaluate its policies affecting Americans overseas in order to continue its economic leadership in the world.

The historic developments in Central and Eastern Europe and the former Soviet Union have opened new international markets. American business must be able to take advantage of these opportunities.

This is the time for Americans to take bold and innovative approaches to help provide further stimulus for the U.S. economy by effectively entering the new global economy. Free trade continues to be an important foreign policy tool that has planted the seeds of democracy and social stability throughout the world. In 1991, U.S. exports totaled \$421.7 billion, a 7 percent increase over 1990. Exports to developing countries made up almost 35 percent of total exports.

Americans around the globe are on the front lines of this worldwide economic competition. Americans overseas create export trade. According to U.S. Department of Commerce figures, each American working overseas generates approximately \$720,000 in taxable corporate revenues annually from export sales for U.S. firms, creating more than a dozen jobs and increasing tax revenues at home. Every one billion dollars in U.S. exports supports at least 22,800 jobs directly and as many as 40,000 such jobs in total.

The U.S. export level in 1991 — \$421 billion — implies that almost 17 million jobs in the United States are export-related. In addition to creating jobs in the United States, Americans employed overseas free up jobs in the United States, which helps reduce unemployment.

The following is a summary of some of the existing difficulties that need to be remedied.

Taxation
Why do U.S. government policies place American business and American workers overseas at a distinct



FEDERATED LEAGUE OF AMERICANS AROUND THE GLOBE

disadvantage when competing in international markets? Americans abroad, unlike nationals of other nations working overseas, are subject to two systems of taxation — the tax laws imposed by their country of residence and those imposed by the United States. The United States is the only major industrialized country in the world that maintains and enforces a system of taxation based on citizenship rather than on residency.

Americans working overseas are also liable for U.S. income taxes on employer-provided compensation allowances such as family transportation to and from the United States, schooling for their children and certain housing costs. These are necessary allowances to offset the additional expense of living overseas and to approximate a U.S. living standard. These allowances do not add disposable income, but they are taxed as though they were additional income.

While Section 911 of the Internal Revenue Code provides for an exclusion from income tax of foreign-earned income up to \$70,000, this apparent substantial relief is actually insufficient. By the time you offset the necessary allowances for family travel, schooling and cost-of-living adjustments, little if any of the exclusion allowance remains. In fact, if you take into consideration the double taxation of Americans overseas, the \$70,000 income exclusion in most cases does not offset the more burdensome tax consequences of working overseas.

U.S. government tax policies make American employees overseas more expensive to hire than similarly skilled workers from other countries. When these expenses are factored into the cost of providing services abroad, American firms become progressively more expensive and are consequently less competitive in international markets. These tax laws also discourage foreign companies doing business overseas from hiring Americans abroad.

When Americans are replaced by

foreign nationals, those foreign nationals buy products familiar to them from their home countries, not the United States. The loss of markets and the cutback in American jobs overseas represent a setback for American competitiveness. The impact is felt in communities at home as export-generated jobs disappear.

Social Security
In addition to the tax burdens, many U.S. citizens who work abroad for non-U.S. companies cannot voluntarily contribute to Social Security. Many consider this a major problem since many foreign companies do not have pension or savings plans that constitute an acceptable substitute.

Health Care
Health care can also be a problem overseas. Even though citizens who have contributed to Social Security and Medicare programs may be eligible for these benefits within the United States, Medicare benefits are not available overseas. Many have a problem obtaining or maintaining health insurance. That is why FLAAG has a special Health Care Insurance Plan designed specifically for citizens residing overseas.

All of these personal disincentives affect business competitiveness. The degree of difficulty Americans have in being personally involved in international markets directly influences the degree of success achieved in selling and promoting U.S. products.

Promote U.S. Product Standards
Influencing product standards in countries is an integral part of the export promotion strategies of many foreign countries. By persuading a country to establish product standards that cannot be met by foreign competitors or met only at substantial additional cost, a significant competitive advantage is given to those businesses that already incorporate the standards. FLAAG's organizational member in the Middle East, the American Business Council of the Gulf countries, helped persuade the U.S. government to place an American standards expert in Saudi Arabia on a pilot program to

work with the Saudi Arabian Standards Organization.

Since the inception of this program in 1990, no standard incompatible with U.S. products has been promulgated. A program such as this has the potential to generate billions of dollars for U.S. companies, create thousands of jobs for U.S. workers and enhance U.S. business competitiveness.

Improve Trade Agreements
While the U.S. is the world's leading exporter, there are specific initiatives that can boost American competitiveness. An example is the Enterprise for the Americas Initiative, which is supported by FLAAG and its organizational member, the Association of American Chambers of Commerce in Latin America. This initiative offers significant trade, debt and investment incentives to assist Latin American governments in carrying out market reforms.

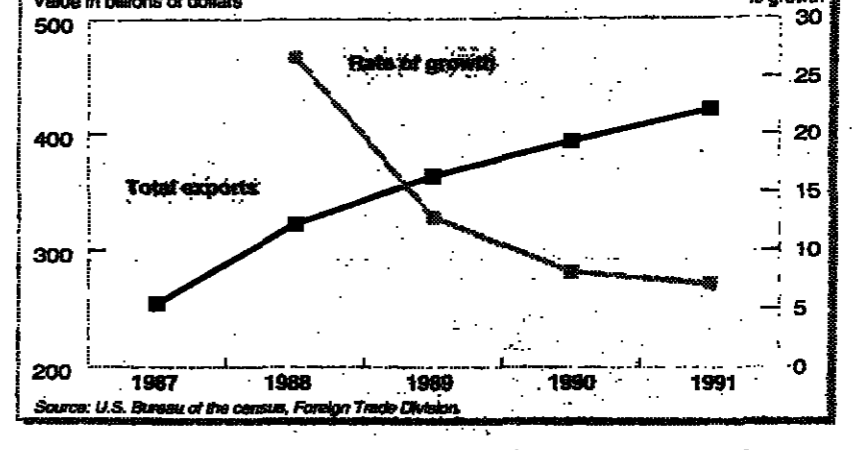
Export Promotion Activities
The United States has no central authority or mechanism for monitor-

ing, evaluating or coordinating government export promotion activity. Government support for U.S. export activity is split among at least 14 different agencies, each with its own priorities and direction. This is a disadvantage for American businesses, which find it difficult to get export information or assistance from government programs and services. In recent years, the United States has ranked last among its export competitors in export spending per capita.

may be presumptuous and counterproductive to attempt to enforce American laws in a foreign environment. For example, U.S. antitrust laws are generally considered to put American firms at risk with respect to international commercial commitments undertaken by consortiums of companies to share risk and overhead. On the other hand, when American legislation does not unnecessarily conflict with the laws of other nations, the United States should move to protect the rights, benefits and privileges of all its citizens. An example is the case "Equal Employment Opportunity Commission vs. Arabia American Oil Co.," wherein the U.S. Supreme Court found that U.S. employers employing U.S. citizens abroad were not bound by the Civil Rights Act of 1964. In this case, a U.S. citizen working for Aramco in Saudi Arabia was allegedly discharged because of his race, religion and national origin. With over 3 million Americans residing overseas, ex-

U.S. Export Growth: Mixed Results

Given that U.S. export growth has slowed from 26.8 percent in 1987 to 7.1 percent in 1991, the successful conclusion of the GATT talks may not be enough to make U.S. exporters fully competitive.



Source: U.S. Bureau of the Census, Foreign Trade Division.

ing, evaluating or coordinating government export promotion activity. Government support for U.S. export activity is split among at least 14 different agencies, each with its own priorities and direction. This is a disadvantage for American businesses, which find it difficult to get export information or assistance from government programs and services. In recent years, the United States has ranked last among its export competitors in export spending per capita.

Extraterritorial Application of Domestic Commercial Laws

The attempt to enforce American legislation in foreign commercial contexts is a source of controversy to Americans overseas. American values are not universally recognized or applied, for a variety of historical, social, political, religious and other legitimate reasons. In many cases, it

triaterritorial application of laws recognizing that these Americans should have their rights, benefits and privileges protected is an issue that FLAAG supports when there is no undue conflict with local laws. Indeed, with FLAAG's approval and support, Congress amended the Civil Rights Act of 1964 in part to reverse the Aramco decision.

FLAAG wants to know how you feel about these issues. When we present legislative initiatives to the administration and Congress, firsthand experience is important to support these efforts. Write us.

FLAAG's position with regard to these issues has been developed primarily through consultation with its organizational members, many of which are affiliated with the American Chambers of Commerce.

Henry Valentino
Chief U.S. Representative,
FLAAG, Washington D.C.

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tional 20% every time you use MCI CALL USA to call them. And along with your MCI Card, this savings is an added advantage to MCI CALL USA's already low rates. So before you recycle this newspaper, call MCI collect at 712-943-6839 ext. 803 to order your MCI Card. And the next time you look up you won't see the sky falling. Just your international calling card bill.



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With its main office in London, FLAAG also has offices in Paris, Hong Kong and Washington. FLAAG's representatives are available to help you. In Washington we bring your concerns to the attention of the U.S. Congress and the administration. FLAAG seeks improvements in such areas as taxation, citizenship, voting, education, medical coverage, business competitiveness and personal security as they affect all Americans around the globe.

FLAAG offers its members a clearinghouse of reliable information, FLAAG-SHIP magazine, worldwide health insurance, international seminars and special events, a data bank and resource center, and global networking. FLAAG members can receive discounted telephone service, electronic mail and other telecommunications services through FLAAG's official telecommunications sponsor, MCI.

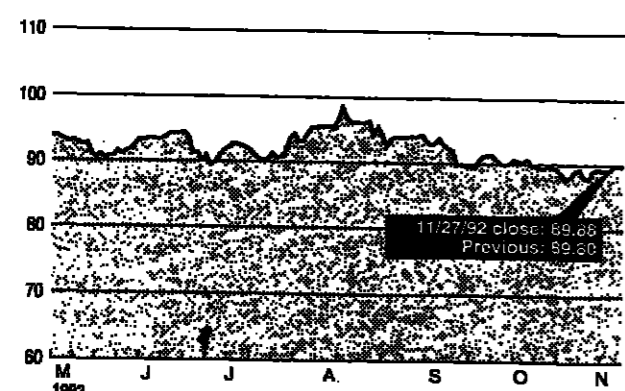
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THE TRIB INDEX: 89.88

International Herald Tribune World Stock Index... composed of 230 internationally investible stocks...



The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia... in the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization.

Table with 3 columns: Asia/Pacific, Europe, N. America. Sub-sections for Industrial Sectors (Energy, Utilities, Finance, Services) and Eurocurrency Deposits.

Gains in Income And Spending Lift Wall Street Stocks

WASHINGTON — An unexpected jump in consumer spending and incomes sent Wall Street stocks surging ahead on Friday...

The rise in stocks was led by cyclical, companies whose fortunes fluctuate along with the broader economy... The Commerce Department reported that consumer spending, a key component of the U.S. economy, climbed 0.7 percent in October...

Iran's Cuts Lead to OPEC Accord Oil Prices Rally but Failed Venezuelan Coup Plays Big Role

VIENNA — The Organization of Petroleum Exporting Countries struck a deal on Friday to reduce production in a bid to support weakening oil prices...

about match the likely demand for OPEC oil through March. Several countries led by Algeria had wanted production cuts of at least 500,000 barrels daily...

The cartel agreed to reduce its production by about 400,000 barrels a day, or nearly 2 percent, to 24.9 million barrels a day... Saudi Arabia was unwilling to offer a substantial cut of its own unless Iran took a quota below what it finally agreed to, delegates said.

'It is not the best they could have done but it has put a bottom on the market.' Nauman Barakat of Merrill Lynch because it binds all OPEC members to 'temporary allocations.'

Digital May Lay Off 6,000 by Year-End

BOSTON — Digital Equipment Corp., which has been slashing its payroll, expects to cut up to 6,000 jobs in the quarter that ends in December, a spokeswoman said Friday.

ed a loss of \$260.5 million, compared with earnings of \$11.7 million a year earlier before an extraordinary charge. Mr. Palmer told stockholders at the company's annual meeting this month that it would be aggressively cutting costs and increasing the number of layoffs to get its costs in line.

ECONOMIC SCENE

High-Tech Promoters Fight For Clinton's Ear on Trade

NEW YORK — Is Bill Clinton in for clear sailing on trade? Don't bet on it. Although last week's compromise over subsidies for France's grain farmers apparently broke the stalemate on world trade negotiations...

The Skies Look Brighter for Reinsurers

By Kurt Eichenwald. NEW YORK — With hurricanes, a typhoon and a riot, this has not been a great year for the U.S. insurance industry. So, as the claims stemming from all troubles weigh down insurers and reinsurers...

General Re Corp., for example, has climbed about 25 percent since August. They eased 25 cents on Friday, to \$110.75, on the New York Stock Exchange. The boom stems from the heavy disaster-related claims that have hit across the insurance and reinsurance industries...

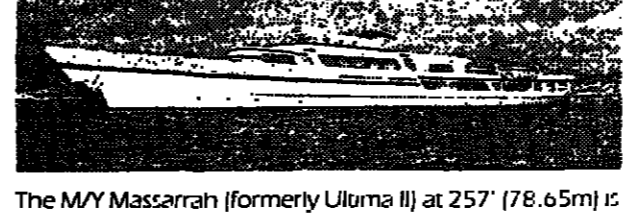
EC Currency Grid Faces More Strain

LONDON — Strains on the EC currency grid appear likely to increase in the next week after a German central banker said Friday that the Bundesbank would hold firm on its anti-inflation stance. Currency dealers said speculators were expected to set their sights on the Irish punt and perhaps the French franc...

CURRENCY & INTEREST RATES

Table containing Cross Rates, Eurocurrency Deposits, Key Money Rates, and Forward Rates.

THE WORLD'S FINEST TRADITIONAL MOTOR YACHT



The MY Massarah (formerly Uluma II) at 257' (78.65m) is one of the largest private yachts in the world. Built at the Kure shipyards, Japan in 1960 this classic yacht has been superbly maintained and lovingly restored...

MUNICIPALITY OF RHODES TOURIST & HOTEL ENTERPRISES S.A.

The development and Management of the Hotel des Roses, Rhodes Greece. The municipal enterprise "Municipality of Rhodes Tourist and Hotel Enterprises S.A." seeking to collaborate with a reputable firm for the Development and Management of the historic Hotel des Roses, announced:

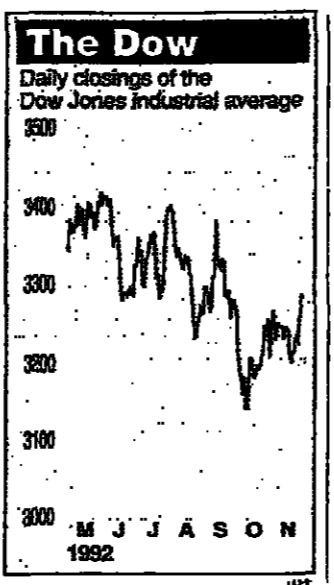
MARKET DIARY

Outlook for Rates Leaves Dollar Flat

NEW YORK — The dollar stagnated on Friday as growing market skepticism about a German rate cut counterbalanced bullish U.S. economic data, dealers said.

SPENDING: Strong U.S. Data

(Continued from first finance page) reduce their mortgage payments. "It has given consumers extra buying power."



The Dow Daily closings of the Dow Jones Industrial average

NYSE Most Actives

Table listing NYSE Most Actives with columns for Volume, High, Low, Last, and Change.

AMEX Most Actives

Table listing AMEX Most Actives with columns for Volume, High, Low, Last, and Change.

NYSE Diary

Table listing NYSE Diary with columns for Volume, High, Low, Last, and Change.

AMEX Diary

Table listing AMEX Diary with columns for Volume, High, Low, Last, and Change.

MASDAQ Diary

Table listing MASDAQ Diary with columns for Volume, High, Low, Last, and Change.

Dow Jones Averages

Table listing Dow Jones Averages with columns for Index, High, Low, Last, and Change.

Standard & Poor's Indexes

Table listing Standard & Poor's Indexes with columns for Index, High, Low, Last, and Change.

NYSE Indexes

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MASDAQ Indexes

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AMEX Stock Index

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Dow Jones Bond Averages

Table listing Dow Jones Bond Averages with columns for Index, High, Low, Last, and Change.

Market Sales

Table listing Market Sales with columns for Index, High, Low, Last, and Change.

N.Y.S.E. Odd-Lot Trading

Table listing N.Y.S.E. Odd-Lot Trading with columns for Index, High, Low, Last, and Change.

S&P 100 Index Options

Table listing S&P 100 Index Options with columns for Index, High, Low, Last, and Change.

EUROPEAN FUTURES

Table listing EUROPEAN FUTURES with columns for Index, High, Low, Last, and Change.

Food

Table listing Food futures with columns for Index, High, Low, Last, and Change.

COFFEE (FPOB)

Table listing COFFEE (FPOB) with columns for Index, High, Low, Last, and Change.

SOYBEAN OIL (LIPPE)

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Metals

Table listing Metals futures with columns for Index, High, Low, Last, and Change.

Financial

Table listing Financial futures with columns for Index, High, Low, Last, and Change.

Dividends

Table listing Dividends with columns for Index, High, Low, Last, and Change.

U.S. / AT THE CLOSE

Shearson and PaineWebber Fined

CHICAGO (Bloomberg) — A National Association of Securities Dealers arbitration panel said Friday that Shearson Lehman Brothers Inc. and one of its former brokers must pay investors \$560,000 for, among other things, excessively buying and selling securities in the customers' account.

Concord Leasing Takes Extra Charge

HONG KONG (Bloomberg) — The international banking group HSBC Holdings said Friday that its U.S. leasing arm, Concord Leasing Inc., had taken a further charge of \$61.4 million for the third quarter.

Ohio Bancorp Wooes Potential Suitors

YOUNGSTOWN, Ohio (AP) — Ohio Bancorp said Friday that it had been talking to possible suitors after losses it blamed on loans to the troubled Pharm-Mor Inc. drugstore chain.

Bethlehem Mill May Reopen Soon

BALTIMORE (AP) — The rod mill at Bethlehem Corp.'s Sparrows Point steel mill could be up and running by February, said a spokesman for the company that bought the closed mill.

A Westinghouse Windfall

NEW YORK — Bondholders have a chance to reap a windfall from Westinghouse Electric Corp.'s plan to take a record \$2.83 billion charge and sell its unprofitable financial-services business, analysts say.

EC Clears BA Takeover of TAT as Attali Fumes

BRUSSELS — The EC Commission on Friday approved British Airways' takeover of the French regional airline TAT on the condition that BA give up some flight slots if competitors need them.

WORLD STOCK MARKETS

Table listing World Stock Markets with columns for Market, Index, High, Low, Last, and Change.

More Funds for Eurotunnel

LONDON — The banking syndicate providing \$6.8 billion (\$10.3 billion) of credit lines to Eurotunnel have granted a waiver to allow Eurotunnel to draw further funds from the credits through May 1994, Eurotunnel said Friday.

U.S. FUTURES

Grains

Table listing U.S. Futures - Grains with columns for Index, High, Low, Last, and Change.

Metals

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SOYBEAN OIL (LIPPE)

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Prices Hit German Rate Hopes

FRANKFURT — Consumer prices in Western Germany accelerated further in November, frustrating the Bundesbank's efforts to contain inflation and dashing hopes that the central bank will lower interest rates any time soon.

The Federal Statistics Office said Friday that consumer prices in Western Germany climbed 0.5 percent in November from October and were up 3.7 percent from a year earlier.

Daimler Seeks Tie With Pratt

MUNICH — Daimler-Benz AG's Deutsche Aerospace arm is seeking cooperation with United Technologies Corp.'s Pratt & Whitney unit, DASA's chief executive said Friday.

Russian Aide Balks At Debt Demand

MOSCOW — A government minister said Friday that the Paris Club of creditor nations was asking Russia to pay more than \$5 billion in debt repayments in 1993 but that this was not realistic.

Yeltsin Orders Oil Privatization

MOSCOW — President Boris N. Yeltsin of Russia signed a decree on Friday ordering all state oil enterprises to be privatized within three years.

Investor's Europe

Table with columns for Exchange, Index, Friday Close, Prev. Close, and % Change. Includes data for Frankfurt DAX, London FTSE 100 Index, and Paris CAC 40.

Soft Market Hits Michelin

PARIS — Michelin's shares, which had risen steadily on a recovery in the tire market, suffered a setback Friday as the company said it would reduce working hours at European plants because of accumulating stocks.

Volvo's Belgian Plant To Lower Output in '93

BRUSSELS — Volvo AB's plant in Ghent, Belgium, will cut production by up to 7,000 cars in the first six months of 1993 by suspending work on Fridays, a company spokesman said Friday.

Very briefly:

- Lord Speer, a former merchant banker, was formally acquitted Friday of conspiracy and fraud charges arising out of the marionette Guinness PLC fraud trial stemming from the 1986 takeover of Distillers PLC.

COMPANY RESULTS

Table of company financial results for various countries including Germany, Japan, Switzerland, United States, and others. Columns include revenue, profit, and market share.

EC: New Rift, Old Cause — Money

(Continued from page 1) Grouped up other supporters, such as Greece and Ireland, by offering to back the poorer EC nations in their money demands if they will line up to protect French farmers.

U.K. Clears Allied-Carlsberg Venture

LONDON — Allied Lyons PLC and Carlsberg A/S said Friday they would proceed with the merger of their British brewing and wholesaling operations, after the Department of Trade and Industry cleared it.

NASDAQ

Friday's Prices
NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Main NASDAQ table with multiple columns for stock symbols, prices, and volume. Includes sections for High/Low/Last/Change and Div/Yld/PE/52 Week High/Low/Last/Change.

Gold Mine Shares Drop in Australia

MELBOURNE — Share prices of companies involved in Papua New Guinea's rich Porgera gold mine fell dramatically Friday after Prime Minister Pinar Gonsky said Thursday that the government wanted to raise its stake in the mine to 30 percent from 10 percent.

Arnotts, Malaysian Baker Discussing China Venture

SYDNEY — Arnotts Ltd. said Friday that it was holding discussions with Asia's largest baker, Khong Guan Holdings Bhd. of Malaysia, on a joint venture in China.

Fletcher Sells Bank To a Unit Of Lloyds

WELLINGTON — Fletcher Challenge Ltd. said Friday that it had sold its Rural Bank Ltd. to National Bank of New Zealand, a unit of Lloyds Bank PLC.

National Bank of New Zealand has a "commitment to the future development of farming in New Zealand," Mr. Fletcher said.

EC Fails to Budge Seoul on Opening of Rice Market

SEOUL — The European Community's envoy to Seoul said Friday that South Korea's refusal to liberalize its rice market could pose a major obstacle to settling the Uruguay Round of world trade negotiations.

NEC Forecasts a Losing Year

TOKYO — Battered by a slump in Japan's computer market, NEC Corp. predicted Friday that it would post a group net loss of 9 billion yen (\$72.7 million) for the year ending March 31.

The capital spending slump hit NEC's computer business.

To be flat for the full year at 3.78 trillion yen. "To say depreciation was too high is a backward way of saying sales were too low," said Steven Myers of Jardine Fleming Securities.

Fall in Profit Takes Shine Off IBJ

TOKYO — The Japanese earnings reporting season ended Friday with a 49 percent drop in the profit of what many consider to be Japan's most prestigious company, Industrial Bank of Japan Ltd.

Takeo Sekihara, deputy general manager of corporate planning, said IBJ was doing all it could to get rid of high-risk investments.

Investor's Asia

Table with columns for Exchange, Index, Friday Close, Prev. Close, % Change. Rows include Hong Kong, Singapore, Tokyo, Sydney, Kuala Lumpur, Bangkok, Seoul, Taipei, Manila, Jakarta, New Zealand, Bombay.

Very briefly: Japanese industrial production fell 2.6 percent in October from September and was down 6.0 percent from a year ago.

Japan Investigates Alloy Dumping

TOKYO — Japan, frequently accused of dumping steel abroad, has turned the tables by launching an investigation of its own of alleged dumping in Japan by foreign companies of a metal alloy used in steel production.

NYSE High-Lows table with columns for 12 Month High, Low, Stock Name, Div, Yld, PE, High, Low, Latest Chg. Includes sections for NEW HIGHS, NEW LOWS, and AMEX High-Lows.

Advertisement for '1992 edition with updates' of 'The Guide to Business Travel EUROPE'. Includes text about the guide's features and a contact form for the Herald Tribune.

MONEY

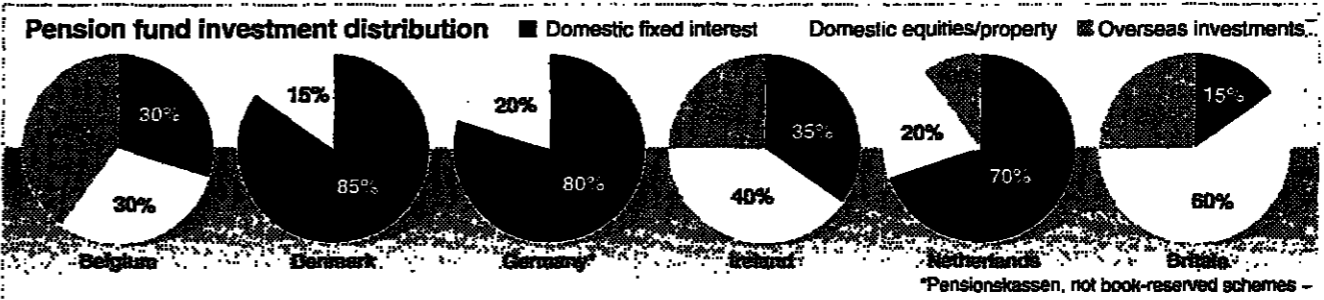
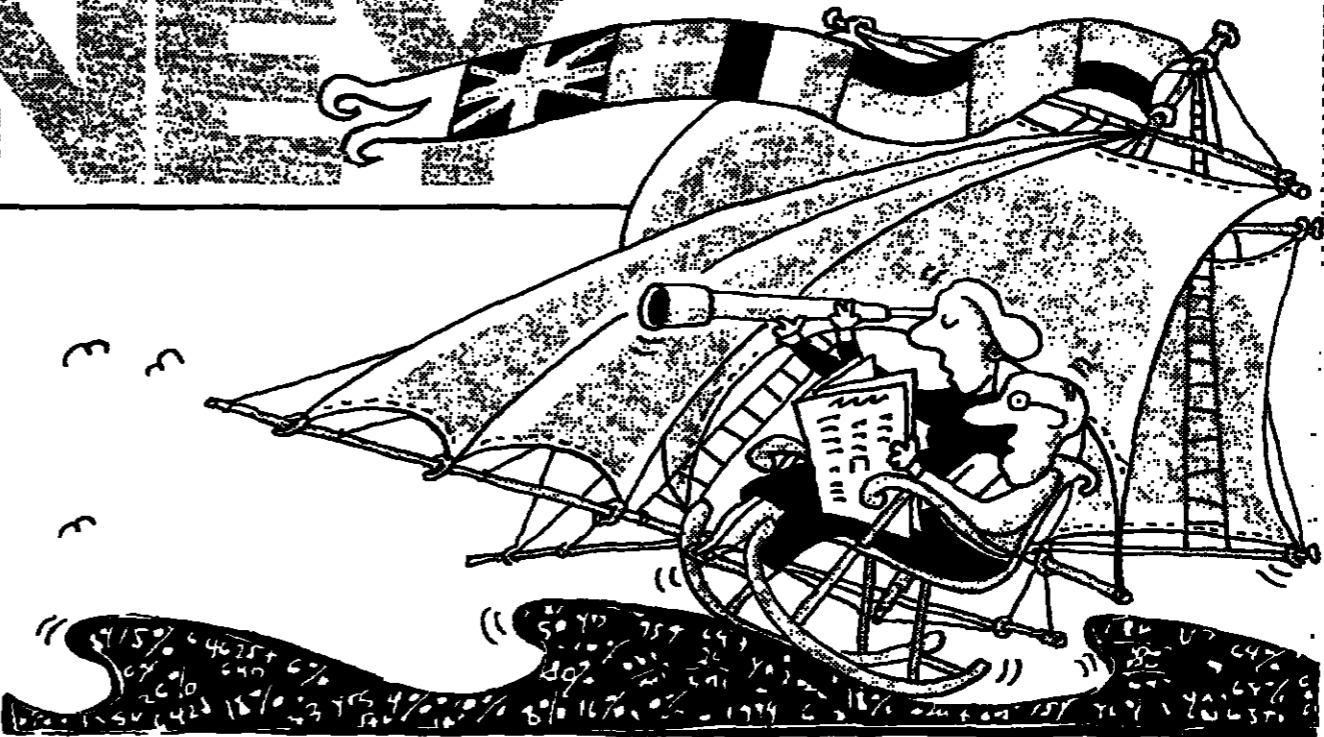
FIRST COLUMN Bitter Logic Of Multiple Devaluations

THE hunting season on European currencies threatens to get bloodier still if speculators, not content with having blasted away the peseta and the lira and winged the peseta and escudo, try to take another shot at the biggest game, the French franc.

Maxwell Case Scares Pension Reformers

MORE THAN a year after Robert Maxwell's death, the publishing tycoon's most notorious crime, pillaging his companies' pension funds, continues to alarm European legislators as they confront the financial problems posed by an aging population.

thought to be a system of funded company pensions. These have existed in Britain for decades, but they received a huge boost in the late 1980s when Prime Minister Margaret Thatcher's government started offering tax incentives to employees to opt out of SERPS, the state pension program, and into private-sector-funded plans.



low rate of company failures in Germany. The whole basis for the German system is confidence in the health of the companies," said Paul Morris, an actuary with Wyatt & Co. in London.

BRIEFCASE

Vanguard Group Launches 2 Portfolios of Index Funds. One figure that never seems to go down in the investment world is the number of index funds. Vanguard Group has launched two new ones, the Value Portfolio and Growth Portfolio.

Chicago Options Exchange To List More Foreign ADRs. The Chicago Board Options Exchange said it planned to list options on the American depositary receipts of 20 foreign companies, with 15 of them due to begin trading in the coming week.

Fund Rankings: Do They Help Pick Winners?

WHEN fund buyers pore over yesterday's rankings in their quest for tomorrow's winners, should they use the every-dog-has-its-day theory of investing and buy a weak performer in the hope that it's "due"?

that have moved the highest above their 30-day moving average, that is, the average price over the last 30 days, adjusted to take that day's price into account.

invested in metals and one in Japan. The top four in the No-Load Fund X study all invest overseas. Is the performance of diversified funds steadier and so more predictable? Not really.

clustered around the bottom. The fact that the firm held through October 1992 reflects the strong performance of smaller stocks.

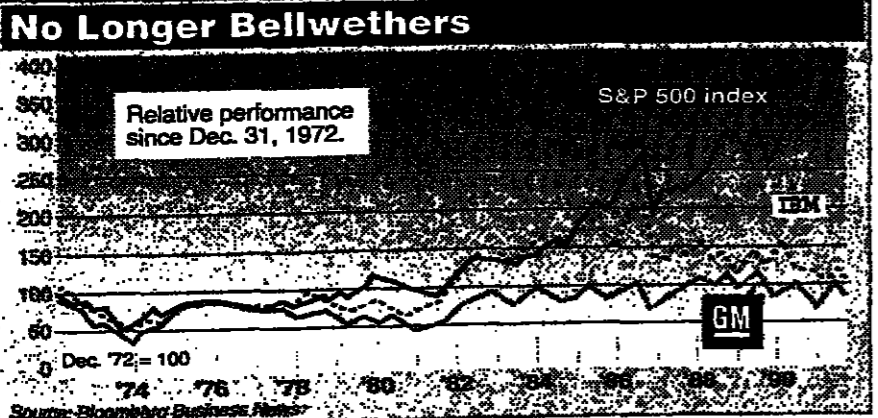


Table titled 'The Best and the Worst: They Don't Always Stay That Way' showing best and worst performing general equity funds ranked by cumulative performance over one year.

TUESDAY EDUCATION DIRECTORY WEDNESDAY BUSINESS MESSAGE CENTER THURSDAY INTERNATIONAL RECRUITMENT FRIDAY REAL ESTATE MARKETPLACE HOLIDAYS & TRAVEL SATURDAY ARTS & ANTIQUES

READ THE CLASSIFIEDS FOR ALL YOUR SERVICE NEEDS. Includes an advertisement for the Herald Tribune with the text 'Republics Allow Formation of International Agencies'.

THE MONEY REPORT

Wheeling and Dealing in Classic Bicycle Trade

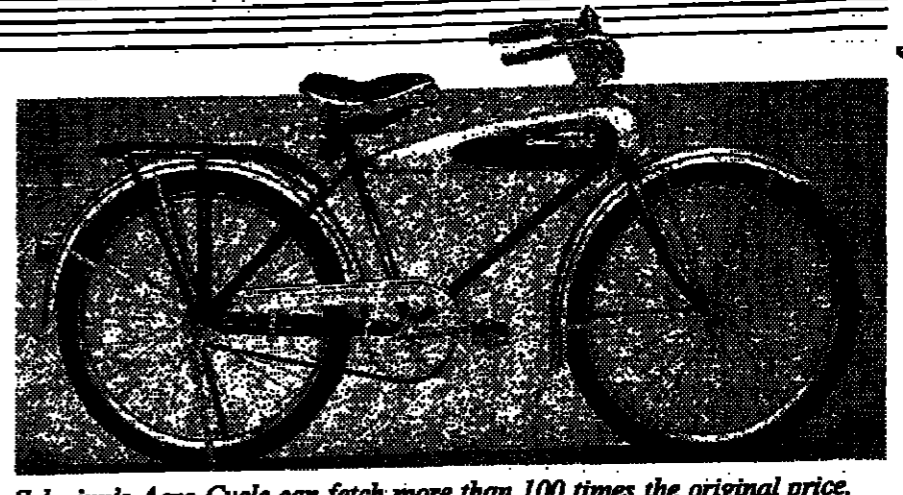
By Paul Gettner

NEVER underestimate the power of nostalgia, especially when it comes to collectibles. The same genes that still goes wild over Marilyn Monroe memorabilia and pushed baseball card prices into the major leagues has found a new way to revive childhood memories: classic bicycles.

held the first bicycle-only auction last spring. "If you know what you're doing, you can make money." Much of the trading is done privately, through club newsletters, swap meets, bike shops and antique dealers. Mr. Fallon's auction attracted bidders from across the country, Canada and Japan; another is planned for next April.

Sotheby's in London. "It's a powerful market." The 1890s is considered the heyday of the bicycle among traditional collectors. About 300 manufacturers supplied the masses with pneumatic-tire transportation. There are few bikes from that era lying around unrecognized anymore, and the best models generally trade for more than \$10,000. "It's quite a tough market to buy into," Mr. Wilson said.

and locomotives of the day. Sears marketed its 1937 Elgin Skylark, with teardrop-shaped pedals and spider-web rear fender, as "the prettiest thing on wheels." Today, the most famous, like the Schwimm Aero Cycle, the Sears Elgin Bluebird and the Shelby Airflo, fetch up to \$10,000, more than 100 times the original sale price.



Schwimm's Aero Cycle can fetch more than 100 times the original price.

"Their dads wouldn't buy them for them when they were 12 years old," says James L. Hurd, curator of the Schwimm History Center in Chicago. "Now they don't have to ask their dads."

Observers expect the better classic bikes to show up eventually at the big auction houses, as prices climb into five digits. In the meantime, new collectors who get hooked on the history of two-wheeled transportation are pushing up prices for the older, antique models.

More than 38 million balloon-tire bicycles were made over the next 30 years. Fewer styles incorporated streamlining and Art Deco design to mirror the airplanes

at a garage sale, then traded it to a bike shop owner for a brand new bicycle. "These things are still findable and affordable," he says. "It's still a buyer's market."

Mr. Fallon agrees, although he believes most sellers are not totally naive. "They might not know what they're worth, but they know what they are," he says. Mr. Hurd and his wife, T.A. Gordon, who edits the newsletter Antique/Classic Bicycle News, put out a 1992 Bicycle Blue Book to help newcomers decide what to ask or how much to pay. But they note that prices have exploded over the past five years and have yet to settle.

There is good investment potential in many of the bicycles, and there are lucrative selling and trading opportunities within the hobby," they write. But most collectors say the true value is the entertainment value. Pryor Dodge, 43, of New York began his collection in 1971 with a \$600 highwheeler. Today, his collection, which expanded to bicycle posters during the 11 years he lived in Paris, is so big he loans it out for exhibitions.



ADVERTISEMENT

INTERNATIONAL FUNDS

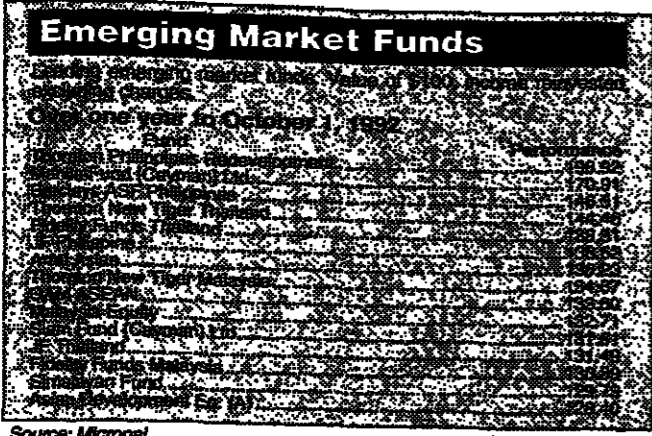
Nov. 27, 1992

Table of International Funds with columns for fund name, currency, and price. Includes sections for International Funds, Other Funds, and various regional funds like Latin American, Asian, and European.

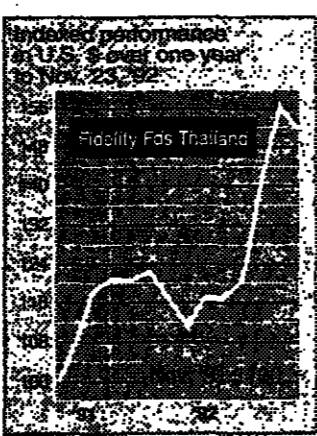
For information on how to list your fund, fax Simon OSBORN on (33-1) 46 37 21 33.

Advertisement for Money Market Plus by Royal Trust International. Features a 9.06% interest rate and a coupon to request more information. Includes contact details for Royal Trust Bank (Jersey) Limited.

THE MONEY REPORT



Source: Microcap

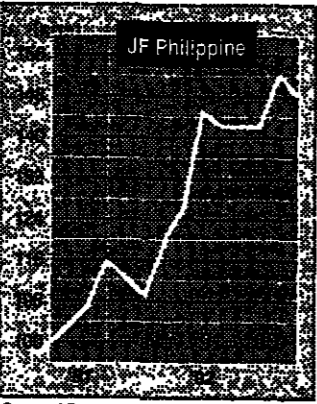


Source: Microcap

Making a Bet on Growth Risk and Return in the Emerging Markets

By Philip Crawford

WHILE the world's most developed economies — the United States, Western Europe and Japan — shuffle sluggishly along, more and more investors are beginning to think in slightly more exotic, albeit riskier terms in searching for a decent return, say analysts.



Source: Microcap

The positive outlook on Thai equities is shared by many analysts, some of whom say that the economic unrest caused by the political crisis of early 1991, as well as last May's rioting against the sweeping powers of the military, appears to have been stabilized by the recent election of Chuan Leekpai as prime minister.

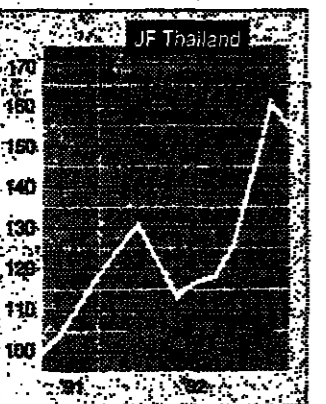
with more aggressive investors. "Until several years ago, a lot of governments around the world wouldn't adopt policies that welcomed foreign investment or trade," he said. "Now they want both, and that is a big change. Many of these markets became available at the same time that investors started looking for alternatives."

Morgan Stanley's Emerging Markets fund, which returned 21.5 percent in the year ending Oct. 30, is most heavily weighted in Indonesia, Thailand, Mexico, Hong Kong and, surprisingly, Brazil. "We know that Brazil is a contrarian policy," said Mahdy Dhar, head of the fund's management team. "At times, Brazil can seem like a basket case. But we've also taken positions in India and Turkey, and we're building one in Peru."

There is, of course, another major emerging market available to investors besides Asia, the Far East and South America, one which analysts say has similar blockbuster potential despite its current struggles: Eastern Europe. Again, funds appear to be the vehicle of choice, as execution and settlement procedures for dealing in individual stocks on the Warsaw or Budapest stock exchanges are still developing, say experts.

"It's almost become a case of the emerging markets versus the submerging ones," said Richard Timbuck, a London-based investment consultant. "Emerging markets contain 80 percent of the world's population, but produce only 13 percent of the global domestic product and have just 5 percent of the world's stock market capital. The potential is enormous, and more investors are beginning to see that. If you're looking for growth in equities, you should be looking at growth economies."

Most analysts say that emerging markets funds, be they global, regional or concentrated in a single country, are the best way for investors to enter the sector, as opposed

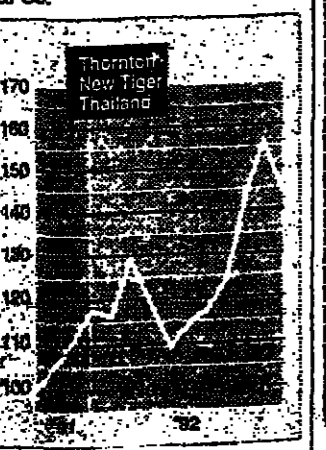


Source: Microcap

to dealing in individual stocks where execution and settlement procedures can prove laborious. Moreover, of the roughly 100 Asian/Far East funds and 50 Latin American funds to choose from, many have turned in performances that back up the current bullishness on emerging markets.

Two of the best performing funds over the past year have been Thornton Investment Management's Philippines Redevelopment fund and New Tiger Thailand fund, which have delivered huge returns of 98 percent and 44 percent for the year ended Oct. 1, according to fund-tracker Microcap. Both funds are open-ended, domiciled in Bermuda, and carry a minimum investment requirement of \$1,000.

"Things were pretty nightmarish for investors in the Philippines during the mid-eighties," said Nick Hodgson, a London-based Thornton analyst. "And you still need to go in wearing a hard hat. But that having been said, we like the Philippine market, especially since the election in June [in which General Fidel V. Ramos was elected president]. Policies are clearer and the overall economy is in reasonable shape."



Source: Microcap

Jardine-Fleming Unit Trusts also has single-country Philippines and Thailand funds that have been among the best emerging-markets performers, returning 47 percent and 60 percent for the year ended Oct. 30. Acknowledging the high returns, Jardine-Fleming's marketing manager in Hong Kong, Betty Ng, maintained that such funds are still not for the squeamish investor.

"If you want the possibility of high returns, you also have to be prepared for the volatility of these markets," she said. "Investors typically put in conservative amounts, which keeps the funds small." Fidelity International's Thailand fund and Mexico fund have been top performers as well, returning 36 percent and 31 percent for the year ended Oct. 1. "Most people seem prepared to take some risk on board, and their appetites are becoming increasingly voracious," said Bruce Russell, Fidelity's global policy strategist. "I think the next frontiers will be Vietnam and India, where the potential is explosive."

Mr. Russell added that the phenomenon of investors going into potentially high-return emerging markets is not really a new one, but is indeed a growing one, as decent returns in mature markets have gotten so hard to come by.

For investors interested in greater diversification, industry analysts are positive on several global funds, including Baring Asset Management's Global Emerging Markets fund and Morgan Stanley's Emerging Markets fund. The Baring portfolio is most heavily weighted in Korea and Mexican equities.

"We think the U.S. economy will improve in '93, and both of those countries are heavily leveraged into a U.S. recovery," said Richard Chenevix-Trench, Baring's director of emerging markets. "We also like Mexico because we feel that the government has handled the fight against inflation exceptionally well. Interest rates have tightened recently, and the government is apparently willing to take some flak for constraining growth in the short term in order to lower inflation and, hopefully, aid the long-term picture."

Speaking more generally, Mr. Chenevix-Trench said that the influx of investment cash to emerging markets has had as much to do with changing government attitudes as

World Market Performances Over the Week

Table with columns for Top Ten Stock Markets, Bottom Ten Stock Markets, Top Ten Stocks, and Bottom Ten Stocks. Lists countries and stock prices with percentage changes.

Madrid Exchange Seeks Sunnier Skies After Peseta Storm

THE 6 percent devaluation of the peseta last weekend, coming after a similar move in September, left the Madrid stock market none the worse off. After falling about a percentage point the first two days this week, the Ibx 35 index bounced back to close Friday at 2,364.21, up 1.8 percent on the week.

That put the index close to 25 percent higher than its level at the beginning of October, when the market was detoxing from the exchange-rate mechanism fiasco of the previous few weeks.

The problem, he said, is the devaluation wasn't big enough to push interest rates lower. That won't happen, Mr. Echevarren suspects, until "well into 1993." As for the recent upward move, he said that "not so many stocks are rising, just the blue chips."

Peter Stephens, an analyst at Barclays de Zoete Wedd, agreed that the near-term outlook is not very bright. "The market is going to be nervous until it's happy where the peseta is," he remarked.

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OUR EXPERTISE

- GLOBAL BOND FUND: major gov't bond markets. PERFORMANCE from 1/81 82.5% (5 yrs, 48.5%)
GLOBAL HIGH INCOME BOND FUND: m1 higher yield bond markets. PERFORMANCE from 1/81 48.4% (5 yrs, 50.7%)
EUROPEAN BOND FUND: major european gov't bond markets. PERFORMANCE from 1/81 37.4% (5 yrs, 57.3%)
EUROPEAN HIGH INCOME BOND FUND: higher yield european gov't bond markets. PERFORMANCE from 1/81 32.2% (5 yrs, 32.4%)
US DOLLAR BOND FUND: US gov't bonds. PERFORMANCE from 1/81 51.1% (5 yrs, 75.1%)
GILT & STERLING BOND FUND: gilt and eurosterling bond markets. PERFORMANCE from 1/81 28.7% (5 yrs, 33.8%)
YEN BOND FUND: japanese gov't and corporate bond markets. PERFORMANCE from 1/81 67.1% (5 yrs, 45.4%)
INT'L PRIME BOND FUND: major gov't bond markets. PERFORMANCE from 1/81 60.8% (4.7 yrs, 68.2%)

- INT'L HIGH YIELD BOND FUND: m1 higher yield bond markets. PERFORMANCE from 1/81 43.4% (4.7 yrs, 73.9%)
EUROPEAN HIGH YIELD BOND FUND: higher yield european gov't bond markets. PERFORMANCE from 1/81 N/A (4.1 yrs, 14.7%)
US DOLLAR HIGH YIELD BOND FUND: higher yield US dollar bond markets. PERFORMANCE from 1/81 N/A (4.1 yrs, 30.4%)
STERLING HIGH YIELD BOND FUND: eurosterling bonds. PERFORMANCE from 1/81 28.4% (4.7 yrs, 57.3%)
GLOBAL HIGH INCOME BOND TRUST: m1 higher yield bond markets. PERFORMANCE from 1/81 N/A (4.1 yrs, 13.9%)
EMU TRUST: higher yield european gov't bond markets. PERFORMANCE from 1/81 27.8% (4.1 yrs, 31.2%)
PREMIUM FIXED INTEREST TRUST: eurosterling bonds. PERFORMANCE from 1/81 N/A (4.1 yrs, 13.9%)

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GUINNESS FLIGHT

SPORTS FOOTBALL

49ers Defense Spells Do or Die for Eagles Saints Can Cramp Dolphins Offense

New York Times Service
EAGLES (7-4) at 49ERS (9-2)
Key stat: Eagles have allowed only one rushing touchdown this season...



The Cowboys' Emmitt Smith cutting away from a diving Rayna Thompson during his 120-yard, two-touchdown game against the Giants.

Smith Powers Cowboys' 30-3 Blitz of Giants

By Mickey Spagnola
Washington Post Service
IRVING, Texas — An official passing of the torch in the National Football Conference's East Division took place here as the Dallas Cowboys further legitimized their drive toward the Super Bowl...

NFL MATCHUPS
firepower, he isn't kidding. On any offensive possession, the Dolphins can feature as many as six Pro Bowl players...

CHIEFS (8-3) at JETS (3-8)
Key stat: Chiefs have won three straight and have allowed five of their last six opponents 17 or fewer points...

BEARS (4-7) at BROWNS (5-6)
Key stat: Bears have 83 more passing yards and 59 more rushing yards than their opponents...

PATRIOTS (9-0) at FALCONS (4-7)
Key stat: Patriots, after averaging 11 points a game in their first nine games, have scored 61 in their last two...

CARDINALS (3-9) at REDSKINS (6-5)
Key stat: Cardinals, despite 17-0 deficit, won 27-24 over Washington in Week 5...

STEELERS (8-3) at BENGALS (4-7)
Key stat: Steelers are 7-1 on artificial turf; Bengals' David Klingler makes his first pro start...

BUCCANEERS (4-7) at PACKERS (5-6)
Key stat: Buccaneers have lost six of their last seven games; Packers have won three of their last four...

BILLS (9-2) at COLTS (4-7)
Key stat: The Bills outruled Atlanta last Sunday, 315 yards to 46; Colts were outruled in loss to Steelers...

VIKINGS (8-3) at RAMS (4-7)
Key stat: Vikings quarterback Ramsey is only 14-of-40 for 137 passing yards in his last two games...

RAIDERS (5-6) at CHARGERS (6-5)
Key stat: Raiders have won three of last four in San Diego; Chargers are over .500 for the first time in a decade...

BRONCOS (7-4) at SEAHAWKS (1-10)
Key stat: Broncos are 1-4 in road games; Seahawks running back Chris Warren rushed for 154 against Chiefs...

These NFL matchups were written by Thomas George of The New York Times. Odds were provided by Harrah's of Las Vegas.

Nordiques Stop Leafs And Cullen

The Associated Press
Owen Nolan ruined John Cullen's coming-out party with the Toronto Maple Leafs...

NHL HIGHLIGHTS
goal, third-period spurt. Nolan scored his second goal and then added the winner in overtime...

Blues 7, Canucks 5: In St. Louis, Missouri, Kevin Miller scored twice and Craig Janney added a goal...

San Diego State on Saturday, would play the next highest-ranked team for the national championship...

Since No. 3 Florida State is also ahead of the Aggies, the Seminoles also have next bids at the Hurricanes...

Hill was one of several offensive stars in the Aggies' 21st straight regular-season victory as they pounded Texas with a relentless ground game...

passing of freshman quarterback Corey Pullig. Rodney Thomas rushed for three touchdowns and Hill gained 100 yards on 23 carries...

The Aggies have won eight of the last nine games against the Longhorns, but trail 64-30-5 in the series...

with the blessing of FIFA, soccer's governing body. "The eyes of the world will be on us for the U.S. Cup..."

to test the readiness of the struggling U.S. national team, three of the best opponents in the world, including Brazil, have been selected...

There has been great progress from American players overseas. Eric Wynalda, the 23-year-old striker playing for Saarbrücken...

will field all of these players for the U.S. Cup, but will use younger, untested players a week later in Copa America...

Copa America is considered the third-most prestigious tournament in the world, behind the World Cup and the European championship...

"It is better to be outplayed in South America than on your home turf," said Guido Tognoni, the assistant to the general counsel for FIFA...

There has been great progress from American players overseas. Eric Wynalda, the 23-year-old striker playing for Saarbrücken...

Texas A&M Does the Job Against Texas

The Associated Press
AUSTIN, Texas — The No. 4 Texas A&M Aggies have done their job. Now they are hoping that Miami, Alabama or Florida State don't do theirs...

Those hurdles are not a pleasant topic of conversation for the Aggies, who have the nation's best record at 12-0.

"We deserve to play for the national championship, point blank," said the Aggies' running back Greg Hill...

Right or wrong, the Aggies need either No. 1 Miami or No. 2 Alabama — the nation's only other unbeaten, untied teams — to stumble for a shot at the national title.

Top-ranked Miami, which plays San Diego State on Saturday, would play the next highest-ranked team for the national championship...

Since No. 3 Florida State is also ahead of the Aggies, the Seminoles also have next bids at the Hurricanes...

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Aaron Glenn of Texas A&M snared Texas's Mike Adams, who failed to snare a Peter Gardere pass.

passing of freshman quarterback Corey Pullig. Rodney Thomas rushed for three touchdowns and Hill gained 100 yards on 23 carries...

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U.S. Soccer Invites the Best to a World Cup Dress Rehearsal

By Filip Bondy
New York Times Service
NEW YORK — When soccer officials soon announce the schedule for the ambitious U.S. Cup tournament in June, they will be unveiling a unique dress rehearsal for the World Cup...

to test the readiness of the struggling U.S. national team, three of the best opponents in the world, including Brazil, have been selected...

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Toon to Retire From NFL Jets

New York Times Service
NEW YORK — Al Toon, troubled for almost three weeks by post-concussion syndrome, was to announce his retirement from pro football on Friday, ending an eight-year career in which he became the second-leading passer-catcher in New York Jets history...

SCOREBOARD

Table with columns for Hockey, Basketball, Football, Soccer, and Tennis. Includes team names, scores, and game details.

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DAVE BARRY

Synergistic Sandwich

MIAMI — Today at the Institute of Military Food Concepts we present the results of our taste test of a new sandwich developed by U.S. Army food engineers for internal use by troops.

This sandwich was brought to our attention by retired Army Sergeant Major Willard Clark, who sent in a newspaper article reporting that the army is developing a new sandwich representing a breakthrough in the state-of-the-art technology for intermediate moisture foods.

CONNOISSEUR: Garçon, is the lipid stability of your fermented meats enhanced by a synergistic anti-oxidant system? WATER: Vous êtes darned touting! ("But of course!")

So we called the Army Food Engineering Directorate and asked if we could have one of the new sandwiches for testing purposes. We were told this would require higher-level approval.

Our Official Taste Test Panel consisted of our wife, Beth, our son, Robert, and our primary and secondary dogs, Ernest and Zippy. We unwrapped the Shelf Stable Sandwich, which looks sort of like a flattened hot dog, with the meat totally enclosed in the bread.

Neil Young: One of Rock's Longest Shows

By Karen Schoemer New York Times Service

NEW YORK — Neil Young and the Carnegie Deli are two things that probably haven't changed much since the '60s.

Young still has hair the consistency and manageability of reddish-brown straw, and a face that seems carved out of a mountainside.

On an autumn evening, Young is sitting at a back corner table in the Carnegie Deli, on Seventh Avenue at 55th Street.

He has just ordered an egg cream. "I live out in the country, so coming to the city is like a vacation to me," he says.

At 47, after 25 years in the music business, Young is still, in the words of one song from "Harvest Moon," "doin' what I do": writing songs, playing guitar, singing in that strange, high-pitched voice of his.

Some members of his generation, like Eric Clapton, manage to keep their image smart and contemporary; others, like Bob Dylan, have lately seemed to wither.

Young's persona, on the other hand, is defined, at least in part, by his consistency, and his resistance to whims of fashion.

Young's status as a rock icon can't be pinned on a single period of his history. And that history is long and complex.

From 1966 to 1968 he was a member of Buffalo Springfield, a band that broke ground for the late-'60s popularity of country-rock.

Some of Young's most memorable work comes from this period: albums like "After the Goldrush" and CSNY's "Déjà Vu," songs like "Sugar Mountain," "Cinnamon Girl" and "Down by the River."

Yet today, if Crosby, Stills and Nash is an oldies act, Young is more vital than ever. In 1979 the live album "Rust Never Sleeps," recorded with the band Crazy Horse, acknowledged the rise and fall of punk rock in the song "Johnny Rotten of the Sex Pistols."

The "Freedom" album marked the end and beginning of a new cycle. "I just came out of it," he says. "Surfaced."



"Harvest Moon" ends a cycle for Neil Young.

It's like trying to get to the top of the water, so you can come into the air. Finally I broke through.

The next year, Young's ragging album, "Ragged Glory," and the ensuing live "Weld" — both recorded with Crazy Horse — practically predicted the explosion of grunge rock.

More than any other rocker of his generation, Young has an audience that crosses the boundaries of age and cultural experience.

With "Harvest Moon," his 27th solo album, Young has completed another cycle. Gentle, folksy and acoustic, "Harvest Moon" is a kind of sequel to Young's 1972 album "Moon," which contains his only No. 1 single to date ("Heart of Gold") and remains one of his best-selling records ever.

In making "Harvest Moon," Young used the same group of musicians, the Stray Gators, that played on "Harvest." James Taylor and Linda Ronstadt, who sang backup on "Heart of Gold," added harmony vocals to a new song, "From Hank to Hendrix."

Throughout the new album there is a sense of time passed, of reassessment and rejuvenation. "If there's a message to the whole thing, it's continuance," Young says.

Young's current stature is a testament to his experience. Born in Toronto in 1945 and raised in Toronto and Winnipeg, he never finished high school.

"I was a dropout," he says without pride. In the mid-'60s, after working the Toronto folk clubs, he drove to Los Angeles in his Pontiac hearse, searching for a life in music.

Young's albums, beginning with his solo debut, "Neil Young," in 1969, illustrate this process of refining.

In the '80s, though, he seemed to throw his career up in the air and embark on a bizarre series of tangents.

In a 1989 Village Voice article, Young connected the inaccessibility of his '80s records with his frustration at not being able to communicate with Ben, whom he and Pegi were missing.

Yet, he adds: "The more distance I get from the '80s, the more sense the '80s make. I knew what I was doing when I put those records out, and I knew what the reaction would be. I knew what people wanted from me and what they weren't getting. But still I knew that time would go by, and then people would see them like a group of records, almost like a period, if they were paintings. And now, there they are. They're becoming more clear all the time."

PEOPLE

It's a Boy for Stephanie, Palace Tight-Lipped

Princess Stephanie gave birth to a boy and both are "doing well," the Monaco press office said, noting there would be no official communiqué from the palace and that the child was named Louis.

Yoko Ono and her Hungarian-born husband, Samuel Hazzard, opened an art gallery in Budapest with an exhibition by the American artist Keith Haring warning about AIDS.

Joe R. Duncan sold his Southfork Ranch in 1984, four years after the TV soap opera "Dallas" had become a hit, and says he will not let Time Warner buffalo him now because he is selling such things as Larry Hagman dollar bills and J. R. Ewing beer.

Roll That Gerwin: Artis Woldoska, a George Gerwin scholar, now has enough rare old player piano rolls of Gerwin's arrangements to start getting them produced on a compact disc.

International Classified Appears on Pages 20 & 25

WEATHER

Table with weather forecasts for Europe, North America, Middle East, and Oceania. Includes columns for High, Low, and Wind.

WEATHER

Table with weather forecasts for Asia and Latin America. Includes columns for High, Low, and Wind.

Crossword

Crossword puzzle grid with clues for Across and Down.

"Casablanca" AT 50

By Charles E. Gersch. A review of the film 'Casablanca' celebrating its 50th anniversary.

BOOKS

THE PORCUPINE By Julian Barnes. 138 pages. \$17. Alfred A. Knopf. Reviewed by Michiko Kakutani.

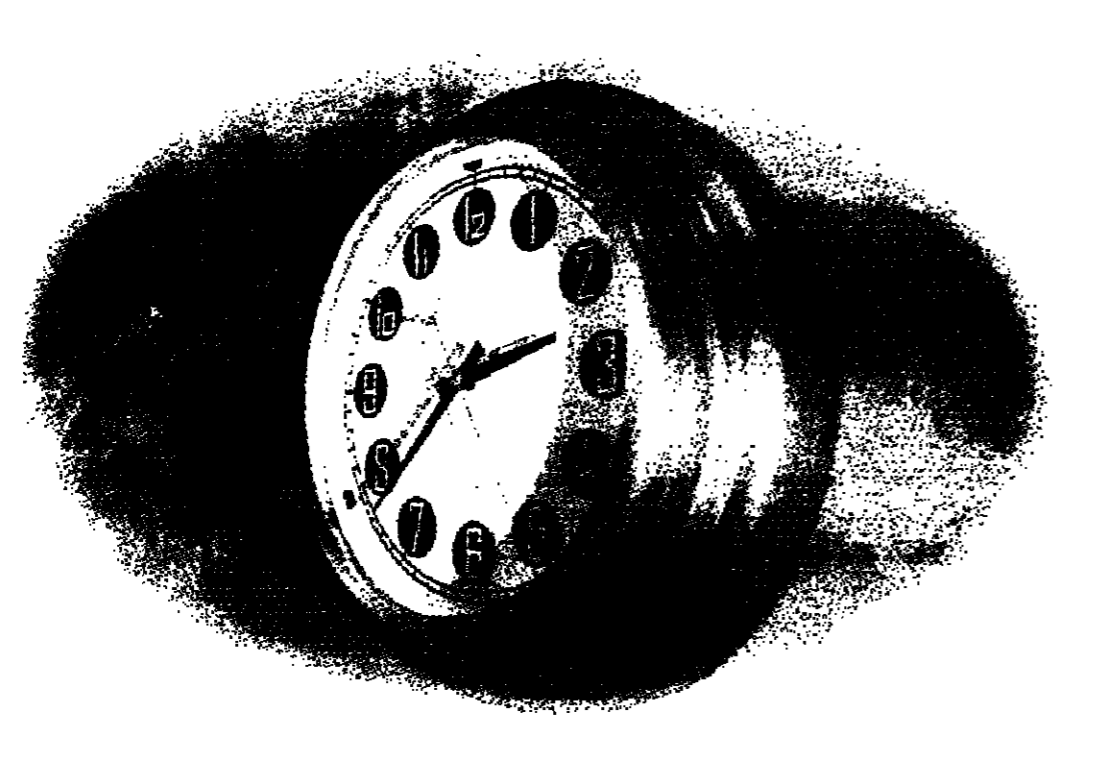
prosecutor-general, an ambitious reformer by the name of Peter Solinsky. As Barnes tells it, change has come cautiously to this fictional country, beginning with a small protest that grew into a local movement and then a Green party whose ranks soon swelled beyond expectation.

history and the hold that the past can exert over the present have long been favorite themes for Barnes, who explored them at length in his recent novel "A History of the World in 10 1/2 Chapters" and the citizens of the imaginary country depicted in "The Porcupine" discover only too quickly that their dreams of freedom and rebirth are more elusive than they'd hoped.

of revolution, people here spoke only of the Changes, and history was now divided into three quiet parts: before the Changes, during the Changes, after the Changes. Look what had happened throughout history: reformation, counter-revolution, revolution, counter-revolution, fascism, anti-fascism, communism, anti-communism. Great movements, as by some law of physics, seemed to provoke an equal and opposite force. So people talked cautiously of the changes, and this slight evasion made them feel a little safer; it was difficult to imagine something called-the Counter-Changes or the Anti-Changes, and therefore such a reality might be avoidable too.

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